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In this issue

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Volume 48 | January, 1960 | Number 4

In this Issue...

Five Feature Articles

PAGE

Two Other Highlights

Eight Regular Departments

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WILLIAM H. BLAKE
Executive Vice President
National Retail Credit Association

Credit Granters Anticipate 1960 Increase With Some Weakness Indicated

CREDIT SALES EXECUTIVES anticipate a favorable year in 1960. Barring any regulatory controls by Congress or state governing bodies, the consumer credit picture for the year ahead could be the brightest in the industry's history. The American consumer is optimistic about his future and is looking forward to a year of peace and prosperity.

The nation's health is gaged largely in terms of Gross National Product or GNP as it is frequently referred to. When one considers that *Personal Consumption Expenditures* comprises almost two-thirds of the nation's GNP, then he begins to understand the important role the American consumer plays in today's economy. The retail merchant who is the closest to the consumer is the recipient of the bulk of this expenditure. Reports indicate that merchants are anticipating a five per cent increase in business during the year. A large percentage of this increase will depend upon the ready availability of consumer credit.

The last quarter of 1959 will see the *Total Short- and Intermediate-Term Consumer Credit* outstandings move across the $50 billion mark. The FRB reports that at October 31, 1959 consumer outstandings amounted to $49.9 billion. *Instalment* credit outstandings increased by $512 million, seasonally adjusted, to a total of $38.4 billion. The largest sector of increase came in *Automobile Paper* followed by *Other Consumer Goods Paper.*

Noninstalment credit increased $96 million, seasonally adjusted, to a total of $11.5 billion at October 31. *Charge Accounts* reflected the greatest increase.

Instalment accounts receivable at *Department Stores* increased two per cent during October and at month end were 14 per cent higher than a year ago. Payments were 15 per cent of the first of the month balances.

Charge accounts receivables increased seven per cent during October and were four per cent above a year ago. Collections amounted to about one-half of balances at the beginning of the month.

Consumer instalment credit held by *Commercial Banks* at the end of October amounted to $14.8 billion, up $153 million from the previous month.

The Instalment Credit Commission of the American Bankers Association reports the impact of the steel strike is reflected in an additional slight increase in instalment credit delinquencies. An encouraging note was sounded by the Commission in its report when it stated that, "The recent concern of some authorities regarding the expansion of consumer and instalment credit perhaps needs some clarification to bring it into perspective. Assuming the last quarter of the year produces the same quarterly increase which occurred in the dramatic 1955, the over-all increase in 1959 will be substantially below $5 billion. The fears of another 1955 credit splurge are also offset by the manner in which consumers are assuming and paying their obligations; the sound credit policies of the major lenders in this field and the earnest desires of industry and finance to continue to maintain a sound and dynamic economy."

The nation's economy has been disrupted by strikes this year to the greatest extent since 1946. In the first three quarters of 1959, a total of 48,-500,000 man-days were lost through work stoppages. These figures do not take into consideration people laid off as a secondary result. It is well to remember that the steel industry strike injunction expires on January 26, 1960. At the same time, the nation is facing a threatened railroad strike. With Congress in session at this time, public pressure could cause emergency laws to be inacted which might be injurious to both labor and management.

Although the *Gross National Product* will not reach the $500 billion mark forecasted by year end, it will during the early part of 1960. The third quarter of 1959 saw it at $478.5 billion, off $6 billion from the second quarter. However, *Personal Consumption Expenditures* increased by $2 billion during the same period to reach $313 billion.

The U. S. Department of Commerce reports that 31 million people which are employed by corporations as wage and salary earners receive over half of all income from occupations in the United States. The 22 million owner-managers and employees of other private business, namely sole

Changes in Department Store Sales and Accounts Receivable

Item October 31, 1959		Percentage change from: Month ago	Year ago
Sales during month:	Total	+12	+ 5
	Cash	+12	+ 4
	Charge	+12	+ 4
	Instalment	+13	+10
Accounts receivable, end of month:			
	Charge	+ 7	+ 4
	Instalment	+ 2	+14

Collection Ratios and Percentage Distribution of Sales

Item		Oct. 1959	Sept. 1959	Oct. 1958
Collection ratios:[1]	Charge accounts	48	47	50
	Instalment accounts	15	15	15
Percentage distribution of sales:				
	Cash	42	42	42
	Charge	43	43	44
	Instalment	15	15	14

[1] Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding
(Estimates, in millions of dollars)

Type of credit	Oct. 31, 1959	Change during: Oct. Unadj.	Oct. Sea. Adj.	Year ended Oct. 31, 1959
Instalment credit, total	38,421	+459	+512	+5,189
Automobile paper	16,659	+189	+278	+2,405
Other consumer goods paper	9,534	+144	+ 72	+1,189
Repair and modernization loans	2,653	+ 40	+ 26	+ 355
Personal loans	9,575	+ 86	+136	+1,240
Noninstalment credit, total[1]	11,451	+ 63	+ 96	+ 987
Single-payment loans	4,050	− 34	+ 28	+ 538
Charge accounts[1]	4,525	+135	+ 48	+ 226
Service credit	2,876	− 38	+ 20	+ 223
Total consumer credit[1]	49,872	+522	+608	+6,176

[1] Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $387 million on October 31, 1959.

proprietorship and partnership, receive nearly 30 per cent, and the 10 million employees of Federal, State and local governments receive 15 per cent. The remainder, around three per cent, is paid four million employees of private households and nonprofit institutions.

Consumer prices in the United States cities rose 0.1 per cent between October and November. The November *Consumer Price Index* was 125.6 of the (1947-49=100) or 1.4 per cent higher than in November 1958. "Every time the Consumer Price Index rises one point, the total wage bill goes up $200 million a year," states NATION'S BUSINESS.

D. L. Young reports in the *Personnel Journal*, that there is a close correlation between credit and accident records. Says Young, "Employees who had credit difficulties (represented by wage assignment, garnishments, and tax levies) had over 50 per cent more accidents than employees with clean credit records during the period."

"The middle-man is an essential element of distribution," states E. B. Moran, vice president, National Association Credit Management. "Those who advocate his elimination as a panacea for distribution problems are quite wrong. Retailers stocking many parts from hundreds of manufacturers cannot operate economically unless they can buy the items in small quantities at a reasonable cost."

Attempts by the Federal Reserve Board to control fluctuations in the economy are becoming less effective as more credit in circulation comes from nonbank sources. Professor Charles L. Schultz, Indiana University, reports that, "the nonbanking institutions, such as life insurance companies, savings and loan associations, credit unions, and pension funds, have come to provide a steadily increasing percentage of the money loaned for industrial expansion. Meanwhile, the percentage of such money loaned by banking institutions has decreased." Professor Schultz's conclusions, "The Federal Government is gradually but surely losing its ability to promote non-inflationary economic growth through monetary management. The central problem at the moment is simply to recognize that our *monetary* and *credit* system has changed significantly since the Federal Reserve was established and set about to correct it."

Western Air Lines recently announced it will honor some 2,000,000 Diners' Club and Hilton Carte Blanche credit cards in payment for all flights throughout the WAL system. The company now honors more than 900,000 Universal Air Travel Plan cards in addition to its own Charge-A-Flight system. A large increase in business is expected.

The Second Session of the 86th Congress of the United States will convene on January 6, 1960. It should be shorter than the first session due to an election year, however, it will be a Session to keep an eye on. Pending in Congress are such bills as Senate Bill 63, "a bill to regulate consumer credit"; Senate Bill 1046, "a bill to expand coverage under the Fair Labor Standards Act to include retailers and increase the minimum wage to $1.25"; and many others including a possible "national sales tax" bill.

Retail consumer credit sales granters enter 1960 with an optimistic but cautious outlook. In another section of The CREDIT WORLD is found a review of what leading credit sales executives think about the year ahead. NRCA will continue to report to its members the changes that are taking place in the "business climate" in the retail field and will point out the significant effects these changes may have upon you and your business.

Consumer Instalment Credit, by Holder and Type of Credit

(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	Oct. 31 1959	Increase or decrease during: Oct. 1959	Oct. 1958	Year ended Oct. 31 1959
Total	38,421	+459	− 14	+5,189
Commercial banks	14,817	+153	+ 12	+2,172
Sales finance companies	10,071	+122	−114	+1,294
Credit unions[1]	3,143	+ 50	+ 24	+ 528
Consumer finance companies[1]	3,570	+ 28	− 7	+ 297
Other financial institutions	1,717	+ 11	+ 9	+ 248
Retail outlets[2]	5,103	+ 95	+ 62	+ 650
Automobile paper	16,659	+189	−161	+2,405
Commercial banks	7,333	+ 87	− 39	+1,182
Sales finance companies	7,406	+ 78	−124	+ 929
Other financial institutions	1,327	+ 17	+ 3	+ 196
Automobile dealers	593	+ 7	− 1	+ 98
Other consumer goods paper	9,534	+144	+ 87	+1,189
Commercial banks	2,512	+ 18	+ 11	+ 280
Sales finance companies	1,788	+ 27	+ 9	+ 228
Other financial institutions	724	+ 11	+ 4	+ 129
Department stores[3]	1,967	+ 60	+ 43	+ 381
Furniture stores	1,089	+ 11	+ 9	+ 33
Household appliance stores	286	− 2	− 4	− 5
Other retail outlets	1,168	+ 19	+ 15	+ 143
Repair and modernization loans[4]	2,653	+ 40	+ 39	+ 355
Commercial banks	1,912	+ 30	+ 29	+ 224
Sales finance companies	33	+ 3	− 1	+ 14
Other financial institutions	708	+ 7	+ 11	+ 117
Personal loans	9,575	+ 86	+ 21	+1,240
Commercial banks	3,060	+ 18	+ 11	+ 486
Sales finance companies	844	+ 14	+ 2	+ 123
Other financial institutions	5,671	+ 54	+ 8	+ 631

[1] Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.

[2] Figures by type of retail outlet are shown below under the relevant types of credit.

[3] Includes mail-order houses.

[4] The face amount of outstanding FHA Title I loans at the end of October is reported by the Federal Housing Authority to be $1,762 million, of which an estimated $1,491 million is for consumer purposes and is included in the above.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding

(In millions of dollars)

	Total	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
Without seasonal adjustment					
Credit extended					
1959—Oct.	4,185	1,564	1,198	190	1,233
—Sept.	4,061	1,515	1,123	191	1,232
1958—Oct.	3,520	1,189	1,075	187	1,069
Credit repaid					
1959—Oct.	3,726	1,375	1,054	150	1,147
—Sept.	3,609	1,333	1,022	147	1,107
1958—Oct.	3,534	1,350	988	148	1,048
Seasonally adjusted*					
Credit extended					
1959—Oct.	4,212	1,619	1,123	173	1,297
—Sept.	4,164	1,517	1,137	174	1,336
1958—Oct.	3,481	1,203	1,006	169	1,103
Credit repaid					
1959—Oct.	3,700	1,341	1,051	147	1,161
—Sept.	3,662	1,316	1,046	147	1,153
1958—Oct.	3,450	1,288	974	143	1,045
	Changes in outstanding credit, seasonally adjusted[1]				
1959—Oct.	+512	+278	+ 72	+26	+136
—Sept.	+502	+201	+ 91	+27	+183
3rd qtr. monthly av.[2]	+503	+210	+119	+32	+142
2nd qtr. monthly av.	+465	+218	+136	+33	+ 78
1st qtr. monthly av.[2]	+362	+172	+ 94	+21	+ 75
1958—4th qtr. monthly av.	+164	+ 34	+ 33	+27	+ 70
3rd qtr. monthly av.	− 10	−134	+ 37	+25	+ 62

[1] Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.

[2] Changes do not reflect the incorporation of figures for amounts outstanding for Alaska and Hawaii in January and August, respectively.

NOTE: Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

* Includes adjustment for differences in trading days.

H. R. 3001 H. R. 3000

Rx FOR ALL AMERICANS TAX RATE REFORM

As prescribed by:

REP. A. S. HERLONG, JR. (D.-FLA.)

REP. HOWARD W. BAKER (R.-TENN.)

MEMBERS HOUSE WAYS AND MEANS COMMITTEE

The Small Businessman's Big Stake in Income Tax Reform

"We cannot correct the fundamental tax problem of our times by nibbles and bites."

That statement has dramatic significance for all Americans but it should evoke its loudest and most enthusiastic endorsement from the small businessman. No one knows better than he that the piecemeal approach has failed, miserably, to penetrate to the root cause of the major trouble besetting him.

It is a matter of record that the small businessman has become the unwilling pawn of a regiment of professional do-gooders who are determined to treat him as a "problem child" of the business community rather than as a businessman with problems.

It is clear then why the perception of the authors of the "nibbles and bites" statement—Rep. A. S. Herlong, Jr. (D., Fla.) and Rep. Howard H. Baker (R., Tenn.)—should strike a grateful response on the part of small businessmen for the legislators not only have shown a keen awareness of the cause of the small businessman's critical state—the present federal tax structure—but have launched a bi-partisan legislative frontal attack best designed to transform it into an infinitely fairer, more realistic system.

Certainly no small businessman has to be "sold" on the urgent need for this kind of legislative action, plagued as he is by his inability to plough back earnings into his business or his failure to attract necessary capital from investors due to an unenlightened tax rate structure that punishes individual and business initiative and enterprise by depriving taxpayers of their just rewards.

In introducing their identical bills (H.R. 3000 and H.R. 3001) which embrace long-range comprehensive tax reform legislation of a magnitude never before approached Representatives Herlong and Baker, both members of the tax-writing House Ways and Means Committee, declared:

"The present federal tax structure stunts economic growth since it both prohibits adequate capital accumulation and destroys capital once accumulated. We can no longer afford a federal fiscal policy based only on short-term considerations, from fighting inflation in one year to fighting recession in another, while neglecting the root source of fiscal crises.

"By removing tax blocks to progress, our bills would contribute more than any other possible government action to our economic well-being and national security (by) enabling the economy to grow more rapidly and consistently than in recent years."

Briefly, the measures would moderate both individual and corporate income tax rates over a five year period; established more realistic depreciation rules; defer taxes for individuals on long-term capital gains until the taxpayer "disinvests" and reduce the rates of tax on estates and gifts.

The beneficial aspects of the proposed legislation should be patent to all but the small businessman will be

The Prescribed Treatment

Gradual easement of individual and corporate income tax rates;
Establishment of more realistic depreciation rules;
Deferment of taxes for individuals on long-term capital gains that are re-invested.
Reduction of rates on estate and gift taxes.

especially appreciative of the sponsors' recognition of his difficulties in attracting risk capital and the way in which this situation could be alleviated through moderation of personal income tax rates, particularly in the middle through the higher brackets. With respect to this the statement said:

"The (present) high rates limit the investment potential even more than indicated by the immediate effect on capital accumulation. Savings of persons in the middle and higher income brackets are more likely to be invested in the risky or venturesome types of enterprise than are the savings of those with lower incomes.

"This likelihood would be greatly increased under moderate rates. Risk-taking investments always forerun opportunity for safer use of investment funds. Under sustained, higher level growth, which must be sparked and initially fueled by venture capital, there would be much greater accumulation and use of investment funds from all sources.

"The limitation on total investment potential has its most severe effect as regards the starting of new businesses, and the expansion of small businesses once begun. Aside from the incentives to engage in business or to make business grow, the punitive tax rates make it impossible for the small businessman to secure venture capital from outside sources.

"The once prolific source of such capital, the successful person who was willing and able to invest in new enterprises has been choked off by punitive tax rates. When, under moderate tax rates, the successful are again able to accumulate substantial savings out of current income, we will find that they again will be interested in investing in such enterprises."

Indicative of the manner in which income now appropriated by the tax collector would be unleashed for investment purposes is the new individual income tax rate schedule provided in the Herlong-Baker bills. At the end of the five year period the top rate will have been reduced to 47 per cent while the first bracket rate will have dropped from 20 to 15 per cent. There follows examples or reductions in some of the interim brackets:

- $4,000—$6,000 bracket, from 26 to 17 per cent.
- $8,000—$10,000 bracket, from 34 to 19 per cent.
- $12,000—$14,000 bracket, from 43 to 21 per cent.
- $16,000—$18,000 bracket, from 50 to 23 per cent.
- $22,000—$26,000 bracket, from 59 to 26 per cent.

The proposed legislation's treatment of the capital gains tax should also prove of singular advantage to the small businessman by removing another barrier to his opportunity for attraction. In accordance with the precedent already established on the sale and repurchase of homes, the bills make statutory provisions for free transfer of capital by individuals, but not by corporations, from one investment to another when the transactions are completed within the taxable year and the investments sold have been held by the taxpayer for at least six months. The result would be a deferral of tax on long-term gains until such time as the taxpayer dis-invests.

As the sponsors point out the present capital gains tax is in actual effect "a tax on capital and the existing supply of capital is (therefore) diminished by the amount of the tax."

"Capital so destroyed," the statement of Representatives Herlong and Baker continues "must be replaced by new capital accumulated out of current income, before there is a net addition to capital supply for new investment.

The Assured Result

Removal of tax blocks to economic growth;
An increase in the supply of venture capital, insuring a spectacular rebirth of the American genius for starting and developing businesses;
Provision of new and better job opportunities;
Smothering of inflation with growth.

"In addition to decreasing the existing supply of capital, the fact of a tax on capital gains serves to reduce the mobility of capital, since it defeats the investor's judgment where the reasons for transferring capital from one investment to another do not outweigh the tax consideration. Capital immobilized in this way is described as 'locked in.'

"The result is particularly serious as regards new and small business since, other things being equal, it restricts movement of funds from ownership in well-established businesses to more venturesome enterprises involving the prospect of greater return. Thus, the capital gains tax serves to compound the prohibitive barrier of the graduated individual tax to the starting and development of business."

The present estate and gift taxes, which also serve to seriously hamper the small businessman in his quest for investment funds, undergo reductions in the bills which should go far toward minimizing the impediment.

The top rate of the estate tax would be brought down to 47 per cent and, consistent with the present relationship, the top rate of the gift tax would be reduced to ¾ of that figure or 35.25. All lower rates would be reduced in proportion. Thus the estate taxes would range by taxable brackets from 1.75 to 47 per cent, compared with the present 3 to 77 per cent, and the gift taxes from 1.25 to 35.25 per cent, compared with the present 2.25 to 57.75.

There can be little, if any, disagreement with the sponsors when they say of the current estate and gift rates:

"Actually, exorbitant rates of estate and gift taxes are a major cause of the merger of family and other closely-held businesses with larger concerns. *They complete the blow initially dealt the formation and development of new businesses by the graduated income tax."*

The corporate income tax would be reduced, over a period of five years, from its top rate of 52 per cent to 47 per cent through annual reductions of one per cent. At the same time, the bills provide for a speed-up in depreciation by permitting five yearly deductions of five per cent each in the maximum required length of property lives for depreciation on new plant and equipment as measured from an average of present experience.

"These (depreciation allowance) increases would come on top of the liberal allowances in early years under the sum-of-the-year's digits and double declining methods, made available to taxpayers through the 1954 Revenue Code, *and the extra first-year allowance granted to small business taxpayers in the legislation of 1958,"* the statement points out.

The first three reductions in the corporate tax rates would apply to the normal tax, bringing it down from 30 to 27 per cent, and the last two reductions would apply to the surtax, reducing it from 22 to 20 per cent.

Both the personal and corporate income tax reductions would be started on January 1, 1959, while the new estate and gift tax rates would become effective on the day of enactment of the legislation.

Although they have features that would bring many benefits to the small businessman the Herlong-Baker bills are especially meritorious because they are designed to *aid the entire gamut of the nation's economy and*

not merely a segment of it. In so doing the legislation pays the small businessman the high compliment of treating him as a respected member of the business community as opposed to banishing him to a commercial isolation ward as some ill-considered legislative attempts have done in recent years. *It is important to note, too, that the prescribed tax relief can be had without shifting the burden to other forms of taxation.*

Revenue Effect

For those concerned with the revenue effect of the legislation the sponsors have a very reassuring and convincing argument.

In pressing for quick action on their bills their statement said:

"It is our opinion that reform of the tax rate structure is of such urgent, overriding necessity in the national interest that it must not be further delayed for any reason.

"We further believe there could be no question but that, with enactment of this legislation, *economic growth over the next five years would be more than adequate to offset the revenue effect of the legislation with a comfortable margin left over.*

"Another positive demonstration of how the sponsors have given careful consideration to every aspect of the situation lies in the bills' provision of a safeguard—in the form of postponement procedures—as a protection against a renewed wave of deficit spending. This would permit deferral of scheduled reductions in any year—after the first—in which a state of budget imbalance was threatened." Representatives Herlong and Baker, with good reason, see their bills as an indispensable and effective weapon in the fight to contain a grave threat to our economy—inflation.

"A great underlying force for inflation in our time," their statement said "is the continuing capital shortage, resulting in inadequate growth in production and productivity and caused by punitive tax rates and methods."

Domestic Requirements

As compelling as are the domestic requirements for tax rate reform another and ominous threat—the bold challenge of Soviet Russia to outstrip us in a deadly serious economic race—should make us more determined than ever to remedy our deplorable situation with prompt legislative action.

By spurring the economy to grow at a faster and uninterrupted pace, the sponsors sum up what their bills would do in this way:

"Increase the supply and mobility of venture capital, thus insuring a rebirth of the American genius for the starting and development of businesses.

Counter the challenge of Russian Communism for world economic leadership.

Provide new and better job opportunities.

Insure adequate revenues for military preparedness and all other necessary federal expenditures.

Smother inflation with growth."

Proposed Legislation

The small businessman would be a prime factor in bringing about all of the aims and objectives of the proposed legislation. Where else but to small businesses can the national look for its major growth potential?

By the very fact of their size it is the sum total of the growth resulting from the combined efforts of small businesses that must supply the principal expansion essential to the achieve-

WHAT WOULD THE INDIVIDUAL RATE REFORM MEAN TO YOU?

(See the table below)

If the taxable income* is	Under the present law the tax is	Upon effectuation of Herlong-Baker bills
not over $2,000	20% of the taxable income	15% of the taxable income

Over	But not over	Present tax		Rate	Of excess over	Herlong-Baker tax		Rate	Of excess over
$ 2,000	$ 4,000	$ 400	plus	22%	$ 2,000	$ 300	plus	16%	$ 2,000
4,000	6,000	840	"	22%	4,000	620	"	17%	4,000
6,000	8,000	1,360	"	30%	6,000	960	"	18%	6,000
8,000	10,000	1,960	"	34%	8,000	1,320	"	19%	8,000
10,000	12,000	2,640	"	38%	10,000	1,700	"	20%	10,000
12,000	14,000	3,400	"	43%	12,000	2,100	"	21%	12,000
14,000	16,000	4,260	"	47%	14,000	2,520	"	22%	14,000
16,000	18,000	5,200	"	50%	16,000	2,960	"	23%	16,000
18,000	20,000	6,200	"	53%	18,000	3,420	"	24%	18,000
20,000	22,000	7,260	"	56%	20,000	3,900	"	25%	20,000
22,000	26,000	8,380	"	59%	22,000	4,400	"	26%	22,000
26,000	32,000	10,740	"	62%	26,000	5,440	"	27%	26,000
32,000	38,000	14,460	"	65%	32,000	7,060	"	28%	32,000
38,000	44,000	18,360	"	69%	38,000	8,740	"	29%	38,000
44,000	50,000	22,500	"	72%	44,000	10,480	"	30%	44,000
50,000	60,000	26,820	"	75%	50,000	12,280	"	31%	50,000
60,000	70,000	34,320	"	78%	60,000	15,380	"	32%	60,000
70,000	80,000	42,120	"	81%	70,000	18,580	"	34%	70,000
80,000	90,000	50,220	"	84%	80,000	21,980	"	36%	80,000
90,000	100,000	58,620	"	87%	90,000	25,580	"	38%	90,000
100,000	150,000	67,320	"	89%	100,000	29,380	"	41%	100,000
150,000	200,000	111,820	"	90%	150,000	49,880	"	44%	150,000
200,000		156,820	"	91%	200,000	71,880	"	47%	200,000

* After deductions and exemptions. Applies to single persons, married persons filing separate returns. Joint-return taxpayers can find their tax saving by taking the tax on half their taxable income and multiplying by two.

ment of solid, non-inflationary national growth—to the advantage of all Americans and to the despair of the Soviets.

But as willing as he is to perform this vital economic function the small businessman cannot be effective under the present restrictive tentacles of the tax structure. He needs the "elbow room" in which to operate at peak efficiency; the removal through the Herlong-Baker bills of the tax brakes to economic progress.

Road to Enactment

As is the case with all legislation, necessity alone will not supply the momentum to carry it successfully over the road to enactment. Every American dedicated to his country's well-being will want to help in this great cause. Therefore, it is incumbent upon all small businessmen to throw their wholehearted support behind the campaign.

There are many ways in which they can help. They can help get the bills, H.R. 3000 and H.R. 3001, now in the hands of the House Ways and Means Committee, reported out for consideration by Congress by writing to their Congressmen and enlisting their aid. They should also urge their friends and business associates to join in these efforts to get early consideration for these vital bills.

By so doing the small businessman will contribute greatly to his own betterment and, at the same time, perform a public service of outstanding proportions. ★★★

Charge Accounts by Phone

The Credit Bureau, Washington, D. C., has been advertising in *The Washington Post* and *The Evening Star* on an experimental basis the opening of accounts by telephone. The ads read "Now you can open your charge accounts by Phone. Major stores downtown and in the suburbs have made arrangements for you to do it conveniently. It isn't necessary any more for a person to take the time to go to the stores and apply for a charge account. Just call us and a pleasant person will open the accounts where you want them. There is no charge for this service. WELCOME NEWCOMER, a Service of the Credit Bureau." .

This is probably the first time that advertising of this nature has ever been inserted in newspapers. So far, the response has been sufficient to pay for the ads and in addition it is good publicity for the Credit Bureau. John K. Althaus, Secretary, states that customer reaction is grand and not only newcomers but others are delighted with the opportunity to apply for charge accounts over the telephone. Work is eliminated in the credit office and customers may be served more promptly.

This is probably the first time ads of this nature have ever been published. The response to them was sufficient to cover the cost and additional ads are comtemplated in the future. They are considered good publicity for The Credit Bureau.

Action on Hot Checks

The Retail Credit Association of Albuquerque, New Mexico, called a meeting of 300 businessmen to combat the hot check problem. It has been said that the city has the reputation as being the worst in the United States as more than 3,000 checks are returned by their banks daily. E. L. Kaufman, Oden Chevrolet Company, reviewed the situation and outlined these basic points to combat this menace:

1. Firms should cease cashing checks in excess of the amount of service.
2. Bulletins should be posted in stores outlining new policies.
3. The Credit Bureau should be informed immediately of returned check passers.
4. Education of store personnel and management on handling of checks.
5. A positive program by banks to control overdrafts.
6. A complete interchange of derogatory checking account information between banks.
7. Publication of "Check Guide" on procedures on handling checks.
8. Evaluation of bank policies on holding checks for a "second try."
9. Educate the public on proper use of checking accounts.

Emphasized several times in Mr. Kaufman's talk were the importance of educating store personnel on the proper handling of checks and not cashing them in excess of the amount of purchase at any time.

Mechanized Files for Credit Bureaus

J. J. BOXBERGER

***Secretary-Manager*, Oklahoma City Retailers Association**
Oklahoma City, Oklahoma

View of the offices of the Oklahoma City Retailers Association before installation of the new Remington Rand mechanized Kard-Veyer units. The mechanized files permitted clerical savings estimated at $700.00 per month.

WHEN A credit reporting operation can cut the time of each service call in half through installation of a new kind of system, the system becomes a necessity because fast service is one of the primary functions of any credit bureau. But when the new system aids accuracy as well as speed, and in addition helps to ease many administrative problems, that amounts to even more than a necessity. It becomes revolutionary.

In a nutshell, that sums up the effects of our recent installation of mechanized files in the offices of our Oklahoma City Retailers Association. As far as we can determine this is the first adaptation of mechanized filing in a credit reporting operation of this type in the country.

With it we have slashed our average time on an in-file report from between six and seven minutes to 3.19 minutes. Of this time, nearly two minutes is required for reading the record to the member retailer. That factor would remain constant regardless of system streamlining. Therefore, the administrative procedures which are essentially non-productive, such as making out the charge slip on the member retailer, locating the record, and then disposing of it and the charge slip, has been cut to slightly over a minute.

But this is only a small part of the story. We also have gained these other advantages:

1. Reduced operator fatigue with its consequent disinterest and inaccuracies, along with a fresh esprit de corps that was impossible to achieve before;
2. Fewer telephone holds, and reduced time on those that do occur;
3. Maximum flexibility to absorb peak loads;
4. Full utilization of operator time on purging or weeding out files during low-volume telephone periods;
5. Fewer mis-files and fewer records out of file and minimum time for their return to file; and
6. Savings in over-all organizational requirements, including both personnel and floor space.

We achieved these multiple accomplishments through installation of 14 mechanized Kard-Veyer filing units in a system engineered and integrated by Remington Rand, manufacturers of the equipment. These file units are paired off to form seven work stations, each station including two Kard-Veyers, each with an operator, and each two stations having an overflow operator at an overflow desk adjacent to the stations.

The retailer member wanting a credit report on a customer will not call the switchboard as he did formerly. Now he will consult his card, issued by the association, giving him a direct number to the Kard-Veyer unit which contains the section of the alphabet in which the customer record falls. The operator of this Kard-Veyer has three direct lines. She also has additional lines which are the lines of the other Kard-Veyer operator at her station. The overflow operator has all these lines at her station adjacent to the four Kard-Veyers. This gives full flexibility with virtual elimination of hold.

So when a member calls, he gets an operator immediately. Further, he gets the operator who has his customer's record at her fingertips. As soon as the last name is given, the operator pushes a button on her unit, keyed alphabetically, and a carrier of card trays revolves to bring the tray she wants to desk level.

During the few seconds it takes to position this tray, she finishes writing the charge slip. She pulls the record for reading to the member, placing the duplicate of the charge slip in its place as an "out" ticket. When through reading, she drops the record back in place, pulls the out ticket and drops it in the wastebasket at her side, and is ready for more.

By noting the eliminations here it is obvious where many advantages are gained. In the first place the operator does not have to write extra information on the charge slip, such an address and former address, occupation, etc., because the main purpose of such extra information is to locate the proper record quickly. If the customer's name is Smith, for example, and there are 200 Smiths in the files, much added information is needed to get the right one.

Here, with the entire file at her fingertips, the operator can ask for such extra information she might need and cut the writing time, because she does not have to take the slip, stand up and walk over to a battery of vertical files,

The new Remington Rand Kard-Veyer units in use at the Oklahoma City Retailers Association. This new system has cut the time of each service in half, reduced clerical expense, and promoted accuracy and speed.

pull out drawers and thumb through envelopes. And the elimination of this walking, stooping, pulling and pushing also is the major factor in the reduction in fatigue.

That leads in turn to fewer inaccuracies, better spirit and a more pleasant relationship all around. The logical consequence is a greatly reduced turnover problem aside from the normal attrition of marriage, pregnancy, etc.

In our Oklahoma City operation, we give from 1,000 to 1,500 reports per day. Of the telephone calls, 65 per cent are simple reports in which the record can be pulled, read and then dropped back into place. The others get "down to date" requests for later credit information than the records contain or ask for written reports, etc. At Christmas time the total calls go up at times by as much as 50 per cent, but there are fewer down-to-date requests so the total work load remains reasonably constant.

Shuttle Service

The over-all load is lightened greatly by our shuttle service, in which three men carry reports or requests three times daily from the office to retailer members. For the most part this service goes to the larger downtown retailers where credit is applied for and the customer rarely starts using it the same day.

These shuttle service requests go to the Kard-Veyer operator, as does her mail each day. The Kard-Veyer operator pulls the report and it goes to a central typing area where the report is written, and the envelope then is returned to the Kard-Veyer operator. The envelope is a standard 8″ x 5″ size with name, address and occupation along the top, opening at the side. Each time a report is given the date is hand-written on the back. Each time there is a down-to-date request, the date is written on the back in red. We did not change our envelopes, or the indexes. They were merely transferred to our new Kard-Veyers.

One result has been our greatly improved purging process and the maximum utilization of operator time in low-volume periods. They sit at their stations constantly going through the trays checking clearance dates. Right now the girls are weeding out the envelopes on persons on whom a report has not been requested since 1954 or before. These go into inactive file cabinets located between Kard-Veyer units, where they will stay for about two years unless they again become active. An "inactive file" cross reference card flashes the fact that we do have a file on the name.

That was impossible with the old system of filing because the operators rarely left their phone stations for such duty even in quiet periods. Even if they could, fatigue was an important factor in the old system and any weeding system would have aggravated it. A separate force would have been needed for such duty.

In the change to Kard-Veyer units, we saved slightly more than 15 per cent of our floor space. That is important. But more important still is this gain in terms of what the next expansion would have meant, because we were nearly at the limit of our physical capacity. When we made the change, we had six units each with about 12 vertical card files with three operators to a unit. We needed another unit immediately, with three more operators. It would have crowded us, but we could have squeezed them in. But in a few years another expansion would have been needed, and that would have necessitated an addition to the building or a costly move. Our Kard-Veyer installation gives us ample capacity for our present needs, and we anticipate that it will eliminate the need for any large expansion in the future because it permits an efficient, automatic weeding process in which the losses will, in many cases, cancel out the gains.

Eliminated Extra Girls

As far as personnel is concerned, we eliminated the need to hire and train the extra girls for the extra unit, and that represents a savings of some $700.00 per month. We use certain personnel from other departments as overflow operators when needed, so the present 18 operators do not have to be augmented by extra hiring.

In addition, with the old system we had to have six girls come in each day from noon to 5 p.m. Their primary job was to put envelopes back into the files, because obviously the operators could not leave their telephone stations to return envelopes after giving a report. As a result the envelopes stacked up on their desks until the extra girls came in.

Now, however, the envelope goes back into the file immediately, because the file is at the operator's fingertips, and those six extra girls can be eliminated. Rather than dismiss them immediately, however, we decided to allow the normal turnover in personnel to accomplish the saving.

So it goes without saying that our members are as happy with the change as we are. We have proved that a credit bureau operation does not have to be a frantic place fraught with edgy tempers and tired people. The results prove a modern system is well worth its cost. ★★★

The Private Employment Service

JOHN J. BOKAN

***Executive Vice President,* Business Men's Clearing House**
Denver, Colorado
***Vice President,* Rocky Mountain Association of Private Employment Services**

IN THE NOVEMBER issue of The CREDIT WORLD, Lewis D. Barton of the United States Department of Labor explained the services offered by public employment offices to employers in the retail credit field. This article, by John J. Bokan, tells us the services offered credit executives by the private employment services.

"APPLICANTS? Sure I got applicants by the dozen but not one of them fit the specifications for the position I have open. I don't have any more time to spend on this problem so see what you can do for me!" Does this sound familiar to you? This is said all too often when an employer finally calls the private employment service. This also costs money or double time wasted interviewing unqualified applicants. Don't you wish that when you needed job applicants that only one, two or three well-qualified people had appointments with you? Under the free enterprise system, you have this choice to make.

What type of person is in the private employment business? He is a businessman with a strong desire to help others and in so doing help himself. He is interested in people and their problems, be they business or personal. Predominately, he has a college education with years of experience in private industry in a management, personnel or sales management capacity, or a combination of these. The private employment service is his chosen field, not because he was unable to make a success, but because he was successful and desired to continue his business career on his own. He knows you only receive what you give in this world and nothing comes free. His aim is to provide the finest obtainable in personnel services. In doing this, success will continue for your business and his. He thrives on private enterprise competition which is the keynote of all successful business. Integrity is one of his biggest assets since our business necessarily is of a confidential nature. He is a professional man and expert in the field of employment and personnel with the added insight required of all private businessmen to be successful.

Do you still think that the private employment service consists of a person sitting at a desk with people coming to him, while he just keeps shoveling them into jobs? Interviewing and screening of applicants is basic with us, but many other things are involved. Testing is an important part of our service. We recognize the validity of tests properly used, but do not consider tests as the ultimate answer.

Tests for typists and secretaries are mandatory. Personality tests present an involved problem, because personality for one position with your firm may not always fit another. Job evaluation and establishing of job specifications are other services most of your private employment offices offer. Many times the question of what to pay in a particular position is asked. Being in constant contact with the employment picture, the private service is qualified to give you a realistic businessman's answer covering positions with firms in all categories. What are the secretaries in the oil industry being paid? Are accountants in the department store field available for X dollars or will more be necessary? Maybe your scale is too high and it is possible to obtain the same caliber applicant for less money. Being businessmen ourselves, we are the first to agree that money is the tightest item in today's economy.

Full-Time Operation

Your private employment service is a full-time operation engaged in the specialized field of personnel. Eliminating the exceptions of large industrial firms, most of your dealings with personnel are on a part-time basis. You as a credit sales manager have a job to do. When you need additional personnel, you want them as quickly as possible. Why waste time? Call the expert private employment counselor, a man who spends *all* his time on personnel problems pertaining to business. Time is too valuable to take a chance by the hit-or-miss method. Your time is more profitable to your job knowing you will receive the qualified person needed for a position, with a minimum effort on your part. Research has shown that the average company not using the private employment services is expending the equivalent of two days full time of one executive for each position. The same company using the private service expends approximately two hours to hire just one employee! This is a big profit factor worth a simple correction. The private employment counselor is the man for you! This is not to say that all private employment services are equal. Still, it is true that in every city there are one or more excellent private employment offices available to assist you. Your top private service follows a strict code of ethics. For this reason, your best offices are the only ones eligible for membership in their local private employment associations.

In each major city, one or several services are available to handle your recruitment problems on a national basis. If you need a top executive who is available only in certain areas of the country, that will be handled with no further

effort on your part than contacting your local private office. Suppose you have a branch in Toledo and your home office is in Denver. We will be able to give you complete service before you leave Denver, and in most cases have an applicant awaiting your arrival in Toledo. This national service also extends into such services as the salary structures for various areas; where the people are located to fill specific type positions; and what would be the advantages for my firm to relocate in Scranton? These are just a few of the many services available to you on a national basis.

Since the owners of private employment offices are all private businessmen, we are interested in the market for our services. Our interest is in the properly screened, well-qualified applicant capable of doing a job for you. This means a vital interest in your opening and a desire to please you because we are indebted to you for your business! If the applicant does not satisfy you, you will go elsewhere. We do not get our money unless you are satisfied. The applicant is also of personal interest to the employment counselor. How can our personal endorsement of someone be given unless considerable time is utilized to interview and become acquainted and include the reference checks that are necessary? Ours is a truly personal business, whether we maintain a one-man or 50-employee office! Interest in saving time and money for you does not stop when the applicant is hired. A follow-up assures the private service that they are doing the full job for which their services were requested. Assistance to the applicant is available if he has adjustment problems in his new position. All of us know this will sometimes happen and someone outside the company is necessary for counseling. Surprisingly, some applicants are counseled against changing their jobs, and no ethical private service will ever recommend an applicant changing positions while employed or placed with a client.

You have a freedom of choice with whom you wish to do business. The job applicant also makes this choice. Why does he select the private employment service? According to a survey conducted by the National Personnel Consultants association, the reason is because he has faith in our ability to serve him! This was the reason given by the majority of applicants surveyed. Is your faith in our ability any less a potent fact? Without it we could not continue in business. Naturally, we must warrant this faith. We must have the qualifications and the respect any profession needs.

No longer is the employment service the ogre grasping the poor helpless applicant in his grimy clutches to do with him as it pleases! It has taken time to merit the respect of business and applicant alike and service is the answer. Employers are obtaining better personnel with less time involved than in the past. The applicant is receiving more personal, helpful attention. No longer are you calling the private service and asking for a dozen people to consider for one position. No longer is the applicant sent on dozens of interviews and subjected to inquisitions. Both employer and applicant are screened the same as your credit risk is screened. You ask "what is his ability to pay" and we ask "What is his ability to produce." A good credit risk has job stability and so does the good job applicant. What are his past references regarding payment interpreted to mean and what are his recommendations in past work history to do the job? His other qualifications necessary for credit are many, as are his assets for a job. His education, experience, interests, abilities, personality, actual skills, and family are just a few. All of these are closely screened by the private employment service. In some cases this takes only a few moments, in others it requires many hours and sometimes days.

Complex clerical positions are just as time-consuming as positions for campany executives. It is not unusual for the job counselor to assist the applicant in problems of grooming, presentation, and general knowledge. It is amazing how much time would be lost by firms if we did not educate the prospective applicants in proper methods to complete an application.

The greatest concentration of talent and experience in the employment-personnel management consulting field is available to you. Tap this source for more profit dollars. You will find as other businessmen have that you have only touched the surface in the past. Use your private employment service! Their purpose is to serve you and the applicant you desire to hire. Expert service, qualified applicants, time and dollar savings are your keys to placement efficiency through your private employment services! ★★★

Laws Affecting Credit Card Abuses

WILLIAM STOCKTON

Manager, Credits and Collections, The Atlantic Refining Company Philadelphia, Pennsylvania

An address before the Philadelphia Retail Credit Managers Association

SO FAR this year three states have passed laws making it a misdemeanor or a felony to wrongfully use a credit card. In the State of Texas, the law pertains only to the use of credit cards for petroleum and related products. In the States of Minnesota and Florida, there is no restriction, so the law pertains to the use of credit cards in general.

A recent survey made by the American Petroleum Credit Association shows that oil companies report a large increase in the use of stolen credit cards. They also report a large increase in the misuse of credit cards by the individual to whom the card was originally issued. This is a situation where the holder goes haywire.

Department Stores' Charga-Plates may be honored at one or perhaps, at the most, four or five stores. With an oil company such as ours a credit card may be honored at 30,000 service stations. With some of the larger companies, a credit card may be used at up to 200,000 different service stations. It is difficult enough to control the use of a credit card in one location, so you can see the problem involved in trying to control the use of a stolen credit card in a good many thousand locations. Most of the oil companies today report that between 15 and 20 per cent of their bad debt losses are the result of the use of a credit card beyond the authority for which it was intended.

States which have passed legislation so far cover one or more of the following situations:

The unauthorized use of a credit card;

The use of a stolen credit card;

The use of an expired credit card;

The use of a cancelled or revoked credit card;

The use of a counterfeit credit card.

The penalties for violation of the law, for example, in Florida are a fine of not more than $100.00, imprisonment for not more than 30 days, or both, where the amount involved is less than $50.00. Where the amount of credit or purchase exceeds $50.00, the law provides a fine of not less than $100.00, nor more than $500.00, imprisonment for not more than one year, or both.

Persons who violate the Minnesota law are guilty of larceny. In Texas the punishment varies from a fine of up to $200.00 when the credit purchase is $5.00 or less to imprisonment in the penitentiary for not less than two years and a fine not exceeding $10,000.00 when the credit purchase is more than $50.00. A range of fines and imprisonment is provided for repeated conviction where the credit purchase is less than $50.00.

Many people keep their credit cards in glove compartments. This accounts for most of those that are stolen. In other cases a discharged employee who was given a credit card for use in the course of his employment will retain possession of the credit card and use it for his own purpose. Occasionally, an employee who has the authority to use the credit card will use it for other than business purposes, such as buying tires and then selling them.

It is not uncommon for losses to run into the thousands of dollars. Recently four credit cards which one company was attempting to repossess had at that time accounted for purchases of $20,000.00.

Since our economy today is based on credit, it is important that the retailers, universal credit card companies, banks and oil companies have adequate laws to prevent the misuse of the credit instruments.

A firm of attorneys in California which is familiar with oil company credit transactions suggested that appropriate legislation should cover the following points:

1. It should deter the culprit from fraudulently using the credit card of another.
2. It should deter the fraudulent use by the holder.
3. It should deter the fraudulent misuse by a third person who exceeds the authority granted to him by the holder.
4. It should protect the issuing company against its use after expiration.
5. It should protect the issuing company against the use of the card after it has been revoked.
6. It should protect against the obtaining of a credit card by trick, fraud or other device.
7. It should protect the issuing company against combinations of any of the foregoing.

The credit manager should realize that, in becoming a complainant to credit prosecution, he risks, on behalf of his company, a civil retaliatory action for damages. Consequently, he should act only when possessed of all the facts and, most important, on the advice of competent legal counsel.

It is too early to predict just what the effect will be of the legislation in the three states mentioned and this, of course, will be watched with considerable interest. Retailers and banks should be aggressive in seeking the enactment of suitable legislation within their own states. I am sure that they will have the complete support of the oil companies and of the universal credit card companies. ★★★

Here Is A Practical Legal Guide Which Might Save You Costly Litigation

LEGAL ASPECTS OF CREDITS AND COLLECTIONS

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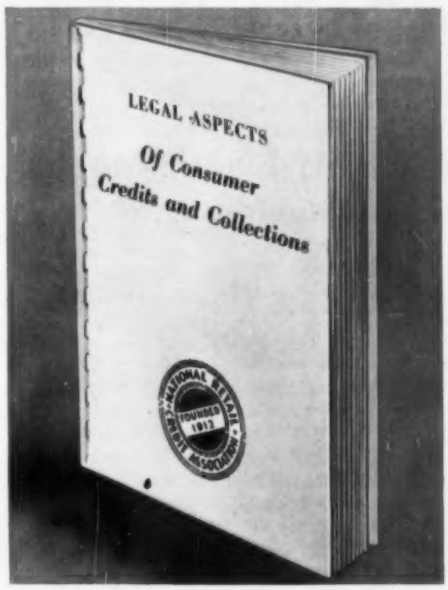

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A General and Reliable Treatment of the Framework of Law in Which Credit Transactions Occur. Contains Basic Legal Principles of Retail Credit and Collection Procedures

This book has been published by the *National Retail Credit Institute,* a division of the National Retail Credit Association, as part of its broad educational program. Every credit granter, and every collection correspondent, should have this practical manual constantly before him in order to avoid making basic errors in procedure which might cost his firm money and create poor customer relations. The book does not pretend to be a complete legal guide—state laws differ considerably, and the scope of the manual is far too limited, for it to be called that. However, the book does *illuminate the legal foundations* on which all credit and collection transactions must rest. NRCA's Washington Counsel, John F. Clagett, says of the manual "it is a good condensed statement of the law on the various topics treated."

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Consumer Credit Sales Executives Face Interesting Challenges in 1960

NRCA's Twenty-Eighth Annual Opinion Poll cites opportunities as well as problems

AMERICA'S LEADING consumer credit sales executives are *very optimistic* about credit business prospects in 1960, as is evidenced in NRCA's year-end opinion survey roundup.

States ***David K. Blair, president of the National Retail Credit Association,*** "The West Coast consumer is looking forward to a year of full employment and increased take-home pay. My company, H. Liebes and Company of San Francisco, is expecting a substantial increase in sales during the first six months. Most of these sales will be made through some form of consumer credit. We have several improvements in our store operation which will allow us to offer better customer service at some reduction in cost.

"As our nation enters the new decade," continued Mr. Blair, "this same expression of optimism is expressed by many economists and business writers when they refer to the era as the *Soaring Sixties*, or the *Surging Sixties*. George Romney, president of American Motors, calls it the *Sensible Sixties*. The American Bankers Association, with an eye on investment capital, tags the decade as the *Saving Sixties*."

Joseph A. White, Credit Sales Manager, The Fair Store, Chicago, says, "In the fabulous Sixties, optimism seems to be the only realistic term that properly fits the outlook. That retail credit sales should show continued increases is indicated by the needs our ever-increasing population will demand. This especially seems to be the pattern in larger ticket items for the home. A close watch must be kept on the proponents of credit controls, lest such controls be made the tool that could upset our present healthy economic outlook. The principal problems with which the industry should be concerned are: Adequate changes in the Bankruptcy Laws, and state legislation that would penalize the fraudulent use of lost or stolen credit cards and plates. Because of the rise in personal income, most retail merchants are continuing to bet on a confident consumer who will be spending more freely in 1960. Despite the steel strike and the current tight money situation, retail sales are expected to reach an annual rate of \$230 billion, some five to ten per cent ahead of 1959. Durable goods will again dominate the bulk of consumer instalment credit outstanding. Most economists indicate they expect little decline in instalment debt outstanding, for several months."

Earle A. Nirmaier, Vice President, National Retail Credit Association, and Credit Sales Manager, W. Wilderotter and Company, Newark, states that, "All signs point to increased expansion in all fields, with a new high in employment and production. According to economists at the Prudential Insurance Company, consumers will spend 18 billion dollars more, especially on durable goods. There will be a greater demand in 1960 for instalment and deferred payment accounts. The average consumer will want better merchandise, resulting in larger individual sales. Revolving credit accounts will increase as we approach full employment. Retailers will be in keen competition for the banker's or finance company's dollar. High money costs will find banks and finance companies very selective in placing money in accounts receivable on direct purchases and, as a consequence, will charge higher rates and require larger reserves in indirect financing. Legislation which has already been passed and those bills pending in many states, which call for service charges not commensurate with the increased cost of financing, will aggravate the situation. This will be a major problem demanding serious attention from credit executives in the coming year."

L. A. Brumbaugh, Vice President, Valley National Bank, Phoenix, Arizona, and Second Vice President of NRCA, notes that, "Every business barometer points to a continued boom in 1960. Most of the strikes will be settled, war dangers will diminish, and politicians may be expected to do their utmost to avoid any serious economic reverses in election year. Retail credit sales may be expected to continue at a high tempo, and bank financing of receivables as well as bank loans will be limited only by the money supply. Already banks are actively bidding for deposits, and their success in so doing will determine how far they can go in making the desired credit available. Gov-

ernment cannot be expected to attempt any limiting legislation on such credit because it is an election year and politicians want to be able to affirm that business is good. Funds for capital investment as well as for retail purchases will be the real problem. After the election, Government as well as business, will have to attempt something vastly more statesmanlike, if we are to avoid a completely ruinous inflation."

"The question today," states ***Dean Ashby, Credit Manager, The Fair, Fort Worth, Texas,*** "is no longer 'How's business?' but 'Where's business?' This implies search, and that's where the credit sales manager comes in. Every sale, every problem is sufficient unto itself—an individual situation requiring individual study and decision. Never in the history of modern retailing has the oneness of credit and sales been so emphasized. Never before has the credit sales executive had more opportunity to prove that creative and dynamic function of his. Anybody can sell to premium accounts in a sellers market. But it takes real credit understanding of the nature of the risk to select marginal accounts and build volume. A preview of the account is an important aspect of selling today. There are many thousands of dollars of 1960 potential sales volume in the credit department's files, and twice as much in the alert imagination of the credit executive who knows his accounts. Decisions in 1960 call for clear vision, courageous action, and a firm grip on the controls of management. No management policy affecting finance, production, or sales can overlook the importance of the credit executive in supporting judgment and determining policies of customer relations. The hand at the credit controls holds a high responsibility for the success of any business. The strength of the credit executive is his file of facts and his personal understanding of human nature. He serves best when he knows most about his customers."

Effect of Steel Strike

From an area where the steel strike has been felt the hardest, ***Howard A. Clarke, Credit Sales Manager, Gimbels, Pittsburgh, Pennsylvania,*** states, "We have nothing but enthusiasm here in Pittsburgh for a prosperous outlook for consumer credit in 1960. It is significant to report that Pittsburgh, which is probably more affected by the strike in the steel industry than any other city in the country, has had and is continuing to have increased sales with no slump in collections. Credit executives in this age of expansion of consumer credit should regard their first responsibility as an educational one, alerting the department's employees to a sense of service and a sense of sell to the store's customers. In a fast-moving promotional credit operation a sound, aggressive collection department must go hand in hand. Top management expects us to provide the store with its rightful share of the available credit volume and we must be prepared to see that they get it."

R. E. Dyreson, First National Bank and Trust Company, Rockford, Illinois, Director, NRCA, predicts the general business outlook in 1960 will bring record highs in national employment, income and profits. "If forecasts for a $500 billion gross national product are accurate," states Banker Dyreson, "all previous records must fall. Retail sales will go up. No real legislation governing consumer credit will come about in an election year. Our principal problem will be one of educating the consumer, credit personnel, and credit executives in the wise use and extension of credit."

A business outlook statement of a local nature is reported by ***E. G. Harlan, Credit Sales Executive, Riley's, Boise, Idaho.*** Says Creditman Harlan, "The general business outlook in the Boise Valley is good. This is an irrigated area producing many specialty crops, with numerous quick-freeze and canning plants that provide labor for local people. We have two of the nation's largest creameries and one important egg cooperative whose semimonthly checks to thousands of members help stabilize our economy. Farm conditions are good. We may have a slight increase in credit sales. Our chain variety stores recently upgraded their merchandise and now offer credit. Revolving credit has made little headway here, practically no advertising of it by leading firms. Bank financing of receivables is negligible. There is no indication that state legislation will include consumer credit. Boise is headquarters for several of the nation's largest construction firms, together with numerous smaller such firms. We have had several machinery firms start operations here recently, specializing in the renting and leasing of equipment. This is an expanding field of credit. Home construction goes ahead notwithstanding interest rates hovering around seven per cent which may go higher. More and more credit cards are being presented in stores as firms are advertising for this business. We are apprehensive of federal regulation of consumer credit and believe our association and its members must constantly confer with members of Congress to avoid restrictive legislation."

Bureau Manager Comments

E. L. Goodman, Credit Sales Manager, Berger-Phillips, Birmingham, Alabama, says, "Credit Managers have the opportunity of going like 60 in 1960. Our livelihood depends upon how often the customer comes in to buy and the number of customers that come in. Credit Managers are the store's main contact with its customers. Tactfully handling them will ring the cash register. Everything possible must be done to induce more customers to return to your store on every shopping trip. Do not forget customers —try and remember them by name. Perhaps it is difficult to remember customers' names, especially in a large department store, but encourage your credit personnel to develop the habit of greeting regular customers by name. Offer to be helpful in any way, beyond the credit office transaction. For example, escort your customer out of your office towards the elevator in bidding her good day. This should be in the same manner as you would treat any guest in your home that is leaving. If your customer is carrying a number of small packages, you can suggest putting them altogether in a neat package or shopping bag. By all means, thank your customer for coming in to open an account. Those two words 'Thank you' are powerful. You cannot say 'Thank You' too many times. Paperwork in an office has been referred to as a 'necessary evil.' But it is highly important that you find ways and means of getting statements mailed on time and also hold errors to a minimum.

"Grasp every opportunity in 1960 to thank your customer whose account has been inactive for resuming use of their account. Thank your customer when the final payment is made on an instalment account. Acknowledge every letter complimenting your store on its merchandise or service. There is an opportunity in 1960 to thank your customers who paid promptly. There is a golden opportunity in 1960 to send a letter, telegram or a gift to your loyal customers who will be celebrating their Golden Wedding Anniversary. You can usually obtain this information from your local newspaper. Credit Managers will have the opportunity to write letters of congratulations to customers who have received some award or promotion. There are many more opportunities too numerous to mention. Go like 60 in 1960 and you will arrive in 1961 refreshed and ready for another prosperous credit sales year."

No report on "Consumer Credit Opportunities in 1960" is complete without a statement from a credit bureau ex-

(Turn to "Challenges in 1960," page 32.)

"PROJECT P-U-

A Conti

...N.R.C.A.... the only profession

"Keep
Every

Yes . . . Only through
Credit Sales

Yes . . . Member firms may have additional Associa berships for their Credit Sales Staff. Upgra staff to increase credit sales.

Yes . . . You may sponsor another merchant in yo munity.

Yes . . . You may organize a Local Retail Credit Uni city and receive an official N.R.C.A. charte

Yes . . . N.R.C.A.'s Group Life Insurance Program is a to members and Associate Members. (Excep Jersey, Texas, Ohio, and Wisconsin.)

"Encourage Your Credit Bure

5-H . . . . . 62,000 By 1962"

ɹuous Membership Campaign

' association serving the entire field of consumer credit

ɔur Eye On the Missile . . .
ˈlember Get a Member!"

ımbership in the National Retail Credit Association can consumer ɛcutives acquire these complete educational services.

Mem-
your

com-

your

lable
New

How do you sign up a new member?

Call your

Local Credit Bureau Manager

or Write

National Retail Credit Association

375 Jackson Avenue **St. Louis 30, Missouri**

ɹ to Enroll Every Consumer Credit Executive Now!"

Citibank Ready-Credit

F. H. DIEFENBACHER

***Assistant Vice President,* The First National City Bank of New York**
New York, N. Y.

An address given at a meeting of the Credit Bureau of Greater New York and Metropolitan Controllers Association of New York

ON MAY 4, 1928, The City Bank opened the doors of its Personal Credit Department to the public of Greater New York, and since that date, more than nine and a half million loans for almost five billion dollars have been granted. It would probably be fitting to erect a sign in our Personal Credit Department, Central Office at 17 E. 42nd Street reading: "Through these portals pass the best borrowers in the world." We have come a long way from those early days, when there were only two types of loans, Comaker and Collateral, with the introduction of new phases of Consumer Credit, under the compulsion of our slogan of "First, Fairest and Fastest." Under the FHA Title 1 Home Improvement Loan program, we made loans aggregating 350 million dollars, and 76 thousand veterans availed themselves of the benefits of the Servicemen's Readjustment Act, or, as it is commonly known, the GI Bill of Rights, and borrowed close to 170 million dollars. And so our other Personal Credit services continued to expand with the introduction of our Dealer Plan, under which we acquire conditional sale contracts from Appliance Dealers.

The financing of motor car purchases on a direct loan basis, as well as under our Bank-Agent Plan was started just prior to World War II. We introduced our Monthly Payment Business Loan service, tailored to fit the needs of the small businessman, and finally in February of this year announced our Revolving Check Credit Plan, or as we refer to it, Citibank Ready-Credit. There was a need and demand for this type of extension of credit, which filled a gap and picked up where personal loans and other forms of Consumer Instalment Credit left off. We felt it would be of material benefit and assistance to our customers to introduce in New York City a plan which had been successfully inaugurated by the First National Bank of Boston in early 1955. At the Financial Public Relations Association Conference in Miami recently, revolving check credit was referred to as the most glamorous and exciting bank service to be offered in the past thirty years.

With a favorable economy such as we have been enjoying, with high wages and low unemployment, the spending public is ever desirous of raising its standard of living. Consequently those of us engaged in the business of serving the buying public, either by retailing the necessities of life and durable goods, or providing the funds with which to obtain those necessities and goods have had to run fast to keep pace with the demands made upon us.

Our Plan provides for a minimum credit line of $120.00 and a maximum line of $5,000.00. Monthly payments are one twelfth of the credit used. If the customer does not avail himself of his line, he makes no payment and there is no charge. Interest of .98 per cent monthly is charged on the average of the daily unpaid balance, and life insurance charge is six cents per hundred dollars per month on the same average amount in use. Our interest charge is the equivalent of the statutory maximum permissible discount charge under Section 108/4 of the Banking Law of six per cent per annum, or an effective rate of 11.76 per cent. Applications may be submitted at any branch of the bank, or by mail, and when approved, the customer receives a formal letter of approval, with which is enclosed his 20 checks in a handy plastic wallet. He is also provided with a certificate of life insurance, and other literature describing the Plan, including a reorder form for additional checks. The checks are specially imprinted with his name and account number, and one of the requirements of the plan is that he use only those checks.

In the nine months that the Plan has been in operation, we have approved close to 40,000 applications, with average lines of $526.00. Eighty-nine per cent of the accounts are active in number and 62 per cent of the amount of approved credit lines has been utilized with average unpaid balances of $363.00. We pay about 50,000 checks a month and our average check is between $45.00 and $50.00. Declines naturally were heavier in the beginning which can be expected with a broad advertising campaign, but they have leveled off.

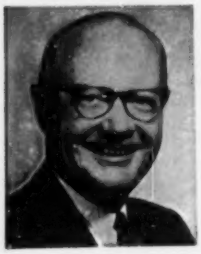
With neither precedent nor experienced help, we started out with a simple system with built-in controls providing for necessary checks and balances. As our people became trained, and we benefited from experience, we liberalized and streamlined some of our operating procedures, with no loss of internal control, so that we are now at the point where we have ironed out the rough spots, and things are running fairly satisfactorily. It is too early in the game to make any definite statements concerning delinquency, as with ascending volume, the picture always looks good. When volume stabilizes naturally we will take a closer look, but in the consumer lending field experience has proven that the borrowing public is basically honest, and I think I am qualified to make that statement, as prior to the organization of our Citibank Ready-Credit, I supervised the Collection Division of our Personal Credit Department for 20 years. There is a psychological angle to it too. Our buying and borrowing public is always desirous of enjoying, if I may inject an overworked phrase, The American Way of Life, and they are also aware of the value of a favorable and enviable credit standing in the community, which serves as an incentive to pay their bills, and as Thackery, who from his writings,

would appear to have been associated with some phase of consumer credit, says in one of his classics: "A comfortable career of prosperity, if it does not make people honest, at least keeps them so."

We are well satisfied with the progress we have made with our Ready-Credit. We got in first, we publicized and promoted it to the fullest. We feel that as far as the customer is concerned, we have provided him with a new concept of consumer credit for which there has long been a need and demand. His credit is as close as the checks in his pocket. He has credit at all times for an emergency, and he does not have to run to the bank and file an application for a loan whenever he needs money, and then sit on the edge of his seat impatiently until he gets his check. A couple of months ago, the Federal Reserve Bank of Philadelphia *Business Review* ran an article on Revolving Check Credit which stated in part that people attracted by revolving credit will tend to do their other banking under the same roof. Consumers like it for the reason that convenience is the big factor. It is available for instant use, any where, any time, beneficial to young families, and it can help in meeting large recurring expenses such as taxes, tuition and insurance premiums. From the bank's point of view, we feel there are several advantages and collateral benefits, and that our new Plan should serve as a magnet for related business and attract new customers to the bank to enable us to sell other services, such as checking and saving accounts, safe deposit and traveler's checks to name a few.

As far as retail merchants go, they too, should share in the benefits of the Plan. In September, the *American Banker* made a survey of Revolving Check Credit, and reported that department stores and some other merchants were enthusiastic. Certainly the idea of being able to buy any place, any time, should stimulate sales. We know that many of our checks are drawn to the order of department stores and other retailers.

Looking at the results to date, and with a continuing favorable economic picture, it would appear reasonable to state that our Citibank Ready-Credit should benefit our customers and those in the retail trade, and at the same time prove advantageous to the bank, particularly if our customers adopt the philosophy expressed by Artemus Ward, who was far ahead of his time when more than 90 years ago he said, "Let us be happy and live within our means, even if we have to borrow the money to do it with." ★★★



From the President's Pen

IN October, Mrs. Blair and I had a wonderful opportunity to combine a delayed summer vacation with a visit with our membership in our fiftieth State, Hawaii. We were met on the boat by Lloyd Char, President of the Honolulu Retail Credit Association and George Conniff of the Credit Bureau of Hawaii along with several lovely young ladies. We were extended a most cordial Hawaiian welcome. Both of us arrived at our hotel well festooned with beautiful leis. Hawaii has always had a reputation for hospitality second to none. They deserve it. The sincere spirit of friendship that greeted us throughout the islands is beyond the powers of description.

On visits such as this, Mrs. Blair and I have customarily taken with us a generous sampling of materials showing the many services that are available through NRCA membership. This trip was no exception. Loaded down with textbooks, pamphlets, and copies of The CREDIT WORLD we visited four Associations on three islands, telling the story of NRCA.

Our first opportunity was in Honolulu where I addressed a combined meeting of the Honolulu Retail Credit Association, the Honolulu Credit Women's Breakfast Club and the Honolulu Association of Credit Management. With an enthusiastic attendance of about 150, I spoke to them about the current status of consumer credit on the mainland and the importance of NRCA to credit granters in general.

Mrs. Blair installed a display of our services which was greeted with great interest. Too much credit cannot be given to the fine, sincere and enthusiastic leadership in Honolulu. Lloyd Char and his excellent officers and directors are making the Honolulu Retail Credit Association a vital force in that community. They are now embarking on a membership drive with the intention of at least tripling their present membership. They have continually carried on a well-balanced educational program. With their new membership drive, I predict that they will shortly become one of the outstanding local associations in the NRCA.

Alvin Smith, President of the Credit Bureau of Hawaii, accompanied us on a visit to the islands of Hawaii and Maui. Our first outer island visit was to the city of Hilo where we were met by Sebastian Chang, local manager for the Territorial Collectors of Hawaii. Mr. Chang arranged a meeting for us that evening with an attendance of about 50 at which we again prepared a display of services and told the story of NRCA. This is a lovely community with some of the most charming people we have ever met. Mrs. Blair became so enamored with the place she was ready to make her stay permanent. With difficulty we pulled her away and the next night found us on the opposite side of the island at Kona.

Here again we were greeted by a wonderful group of credit granters where we again talked about NRCA. By this time it should have been a routine matter. However, there is so much to tell about NRCA, that it is always difficult to give a comprehensive picture of our Association in the short time usually allotted to an after dinner speaker.

Journeying the next day to the Island of Maui, we were met by Tom Tagami, local manager of the Credit Bureau, who had arranged a meeting at Wailuku. As in Honolulu and Kona, we were introduced by the President of the local retail credit association. By that time Mrs. Blair was running a little short of supplies as the interest in NRCA services had exceeded our expectations in all areas visited.

Before the year 1961 rolls around, I am sure the State of Hawaii will have become one of the outstanding examples of fine credit granter cooperation. Their local associations are well organized and are all exceedingly interested in educating their membership in sound credit extention.

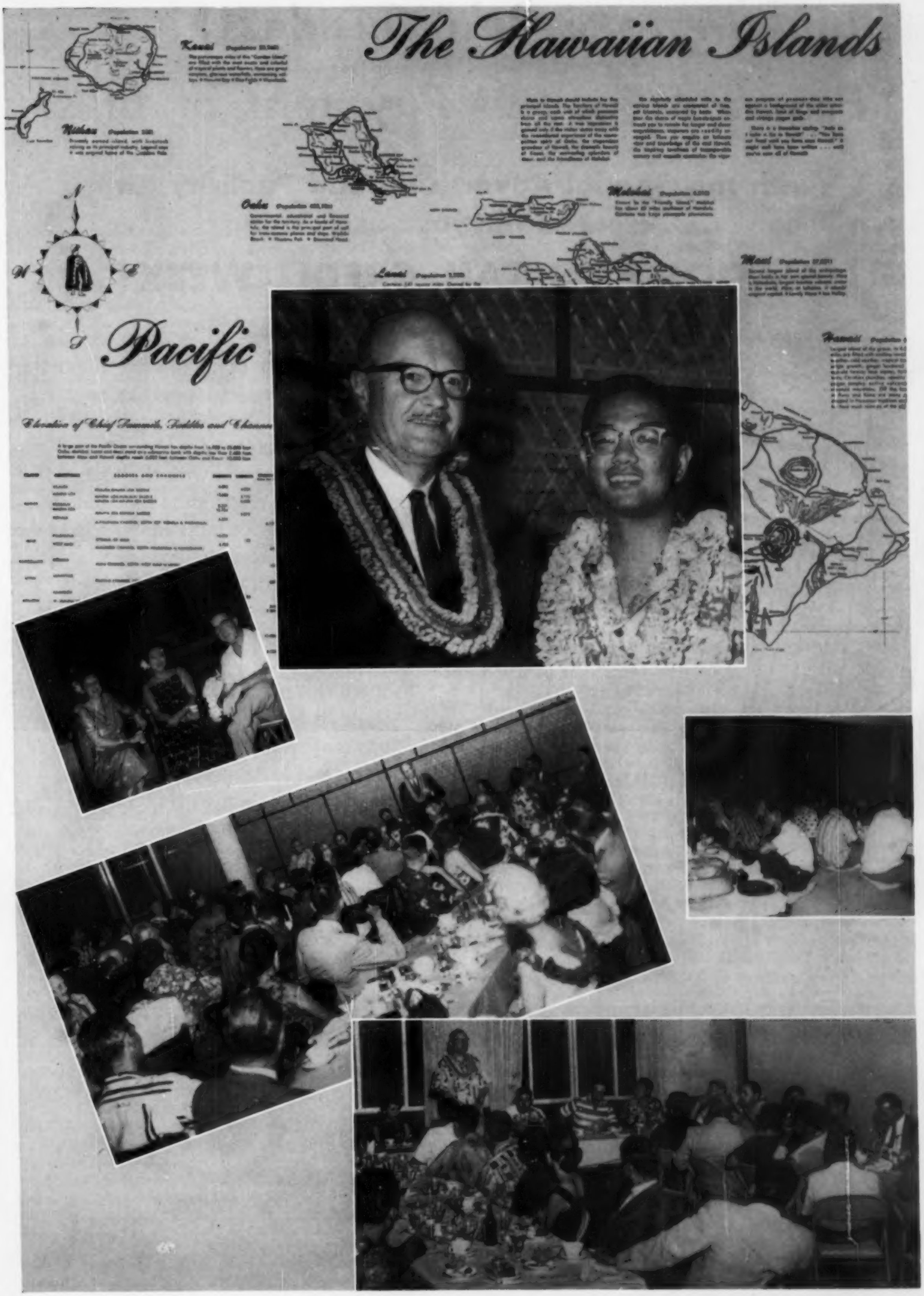
At this time plans are being completed to have Sterling S. Speake visit the islands in March 1960 to present his course on *Retail Credit Fundamentals.* Also, S. H. Womack will no doubt visit the State in November 1960 to give his course on *Human Relations in Business.*

With their expanded membership drive, with their ever increasing activity in education, I can assure you that Hawaii is a State whose importance in our Association cannot be discounted. Welcome, Hawaii, to the Union. Welcome doubly, to the NRCA. We are proud, not only of your achievements, but also of your great plans for the future.

David Blair

PRESIDENT
National Retail Credit Association

President Blair addressing meetings of local Credit Associations during his Hawaiian visit →


The Hawaiian Islands
Kauai
Niihau
Oahu
Molokai
Lanai
Maui
Hawaii
Pacific

Build More Credit Business!

Promote Prompt Payment of Bills!

with this Special Advertising and Publicity Kit ... created for your use during

NATIONAL RETAIL CREDIT WEEK!

PRICE **5.00** POSTPAID

It *pays* you to promote more and better charge account customers during National Retail Credit week... April 24 to 30.

We'll supply you with the tools, including ad mats; radio spot announcements; suggested talks on the importance of consumer credit; official proclamation; newspaper editorials and publicity articles for your local newspaper, and a colorful poster for store and window display.

All this material lets your prospective trade *know* you *want* their credit business... and it reminds present customers to keep up with their payments. So join with retailers *everywhere* in promoting...

National Retail Credit Week

April 24th to 30th

MAIL THIS COUPON TODAY!

NATIONAL RETAIL CREDIT ASSOCIATION
375 Jackson Avenue, St. Louis 30, Missouri

Please send me________copies of your Retail Credit Week Kit.

NAME________________ ADDRESS________________

CITY______________ ZONE______ STATE__________

CHECK ENCLOSED______________ MAIL ME BILL__________

State Legislation

New York: The New York State Banking Department released texts of 13 legislative proposals, bringing to 38 the total number of bills to be sponsored by the Department at the next session of the Legislature in January.

Heading the list of proposals announced yesterday were three acts to amend the personal property law.

The purpose of the first of these bills is to amend the definition of the term "financing agency" contained in the Retail Instalment Sales Act and to limit the negotiation of promissory notes executed in connection with obligations arising out of the furnishing of goods or services for repairs, alterations or improvements to real property.

The bill would do this by including within the meaning of the term "financing agency" a "retail seller" engaged in whole, or in part, in the business of holding retail instalment contracts, obligations or credit agreements from retail buyers.

The proposal also would provide that where the transaction which gives rise to a retail instalment obligation is the furnishing of goods or services for repairs, alterations or improvements upon or in connection with real property, that a separate certificate must accompany the negotiation or other transfer of a promissory note executed in connection with such a retail instalment obligation.

A second proposed change to the personal property law would amend the term "retail seller" to include a licensor (as well as a lessor) of a department in a retail establishment.

The final proposal in this category would amend the term "financing agency" contained in the Motor Vehicle Retail Instalment Sales Act to include a pledge of an aggregate number of retail instalment sales contracts.

The Department also proposed a bill which would place savings banks on a parity with savings and loan associations with respect to their power to service mortgages for others. Under the proposal, the Superintendent of Banks would prescribe regulations governing the extent to which, and the conditions under which, such mortgages might be serviced.

Other proposals announced by the Department included:

An act to increase from $250 to $750 the investigation fee required to be paid by banking organizations, except credit unions, and by foreign banking corporations, upon submitting organization certificates for approval to the Superintendent.

An act to permit a savings bank to initiate a participation with a savings and loan association in a real estate mortgage in this state. Savings and loan associations already have this right and this proposal would give savings banks reciprocal rights. The proposed bill also would eliminate the requirement that the banking organization with which a savings bank may participate must have its principal office in New York.

An act to increase the investigation fees payable by applicants for licenses under the licensed lender statute of the Banking Law, and to increase the annual license fees of licensed lenders.

New Hampshire: One of the final enactments of the New Hampshire legislature was the signing of the New Hampshire Uniform Commercial Code on August 27, 1959. The Act becomes effective July 1, 1961. New Hampshire is the fifth state to adopt the Code.

Pennsylvania and Massachusetts are the only state in which the Code is now effective. In Kentucky it becomes effective July 1, 1960 and in Connecticut on October 1, 1961. In Pennsylvania, this year, legislation was adopted revising the Code, bringing it into conformance with the Code as subsequently enacted by the other states. In Pennsylvania it was originally adopted in 1953 and became effective there on July 1, 1954.

The Uniform Commercial Code comprises these main subjects: Sales; Commercial Paper; Bank Deposits and Collections; Letters of Credit; Bulk Transfers; Warehouse Receipts, Bills of Lading and other documents of Title; Investment Securities; and Secured Transactions. In the subject of Secured Transactions are included chattel mortgages, trust deeds, factor's liens, conditional sales, bailment leases, trust receipts, pledges, assignments and other types of liens or title retention contracts and leases intended as security. In all subjects covered in the Code, substantial changes have been made in many aspects from existing statutory and case law.

Copies of the Code may be obtained from American Law Institute, 133 South 36th St., Philadelphia 4, Pennsylvania.

Alabama: Colonel Lehman J. Lewis, new head of the State Bureau of Loans, will administer Alabama's new law regulating small loan companies. His agency is now working to spell out, in rules and regulations, the provisions of the new act. The law goes into effect January 5, 1960. It will be Alabama's first effective small loan law.

Maryland: A recommendation against any "extensive changes" in the Maryland instalment sales law by the 1960 state legislature was made by a state legislative interim study committee chairmanned by Senator Joseph A. Bertorelli of Baltimore. The committee recommended that its study be continued for another year and that recommendations be submitted to the 1961 state legislative session.

One change recommended for the 1960 session was a modification of the retail instalment sales act to raise its coverage from sales of $2,000 to those up to $5,000. The committee is also studying the revolving credit plans in Maryland to determine if they violate the state's usury law in that the total interest and other charges exceed six per cent annually. They indicated that the legal status of such plans is "somewhat vague."

Senator Bertorelli indicated that "the committee recognizes that legislation may be needed on these as well as other phases of instalment buying." The chairman indicated that any extensive revision of the law would "affect a larger sector of economic activity in the state."

North Carolina: State Insurance Commissioner Charles F. Gold ordered a 12½ per cent decrease, effective December 15, 1959, in maximum rates charged in North Carolina on credit accident and health insurance written in connection with small loans in the state.

(Turn to "State Legislation," page 32.)

CREDIT DEPARTMENT Communications

LEONARD BERRY

TREASURE those complaint letters! There are few more thorough ways of getting a line on how you are regarded by the public than by carefully reading and objectively analyzing customer "gripes." Weak spots in service and shortcomings in merchandise are sharply revealed by complaint letters. "Bouquet" letters, telling what a wonderful store you have, and how satisfactory everything is, are far more pleasant to receive, of course, but they are not very helpful in mirroring failings and stimulating improvement. So, pay careful heed to complaint letters and benefit from criticism.

Business is in a highly competitive state. There is an abundance of available goods and most people have ample funds with which to acquire them. Customers can literally pick and choose. Those reliable "customer loyalties," built, we think, on impregnable foundations, can be transferred in an instant if a customer decides her patronage is unappreciated or if she feels to be unfairly treated. Your customers do not "belong" to you—their good will and friendship must be earned afresh every day. This may sound cynical and over-drawn but you will agree it is, in the main, only too true.

Also, in this competitive situation, customers take on an added value to the firm. It is cheaper to keep an old customer than to acquire a new one. Every established customer on the books represents an investment of up to ten dollars. Surely it is good business to keep them happy, contented and *active*.

Every complaint letter holds immense potential for good or for ill. Such letters should not be answered in routine fashion by an inexperienced clerk but made the special responsibility of a skilled correspondent who has the quality of kindly understanding and who possesses infinite patience.

When answering a complaint letter, it is wise to study the letter carefully. Make sure you understand exactly what is involved. Don't read into the letter more than is actually there. Find the *meaning* behind the words. People often use strong words when angry without bothering to consider their possible impact on the reader. Remember too, that the very act of writing probably drained off a good part of the customer's anger. If, in your reply, you re-hash the complaint, the customer feels obliged to get angry all over again . . . and does!

It is sound procedure to minimize the compaint and highlight instead your solution. The old rule which tells us to say YES swiftly and gaily, and NO slowly and somberly, is an excellent one. If you can say YES, do so in the mood of graciousness and cheerfulness. If you must say NO, do so in the spirit of genuine regret and personal reluctance. Indicate to the reader that you personally wish you could say YES.

Often it is best to make the reply short and sweet. A simple assurance that the matter has been fully taken care of does the trick while a lengthy and perhaps argumentative or overly explanatory letter confuses and upsets the customer.

Make all adjustments in the framework of the best interest of the entire store. Many of America's finest stores have grown large and successful by "taking care" of their customers. Generous adjustments build good will, and good will increases profitable patronage.

In complaint letters people seem to take off their conventional masks and tell you exactly what they are, and who they are, and what they are thinking. To the perceptive reader complaint letters are a revelation of the store's public image.

Complaint letters offer two opportunities. First, to find out what people think of you and your store, and second, by skillful handling and courteous treatment tremendous customer good will can be generated. The most valuable letters that come to you in the mail every day are those usually unwanted complaint letters. Turn them into golden profits.

This Month's Illustrations

Illustration No. 1. This collection letter was sent to us by Jack Hufford, Collection Manager, Derby Refining Company, Wichita, Kansas. Mr. Hufford tells us that the letter has proved successful in collecting accounts up to 90 days past due. He thought it would be helpful to a fellow member. We appreciate Mr. Hufford's fine cooperation and invite others to follow his example and send their letters and forms to us.

Illustration No. 2. Another collection letter, this one from H. Williams, Credit Sales Manager, The Golden Eagle, Janesville, Wisconsin. The letter, reports Mr. Williams, has brought better than average response. The wording is refreshingly different from the usual run of collection letters. Collections nowadays must be made up of generous quantities of salesmanship and attention-attracting approaches. Note the dignified letterhead. It gives an impression of long established permanence and solidity.

Illustration No. 3. Ernest Reames, energetic and enterprising Manager of Credit Sales, Hogg Brothers, Salem, Oregon sent us this collection letter with these comments, "We needed a short collection letter that could produce results while I was on vacation . . . this letter was signed by my secretary and mailed in a handwritten envelope reproduced above the letter." Mr. Reames reports that the results were "overwhelmingly terrific."

Illustration No. 4. Here is a clever and timely credit sales promotion item. Joe L. Pollak, Manager of Credit Sales, Lechenger Jewelers, Houston, Texas is a frequent contributor to this page. The notice is self-explanatory. I just want to comment on the envelope which is shown below the notice. The envelope is part of any selling mailing piece. That space beneath the "window" can well be used to carry a selling message. Also, the postage meter slug. This envelope does both very effectively.

240 State
Salem, Ore.

(3)

Mr. John Customer
200 Main St.
Salem, Ore.

DERBY REFINING COMPANY BOX 1030 DERBY WICHITA, KANSAS

(1)

Mr. John Doe
1431 North Hillside
Wichita, Kansas

Re: D-15608
$ 85.00

Dear Mr. Doe,

Recently it was our pleasure in honoring your oil credit card at one of our many stations located throughout the middle west.

As explained on our first statement mailed you; our terms provide that payment be made upon receipt of your monthly statement. It may be possible that you did not understand this arrangement, since we learn that payment for your June billing apparently has not yet reached us.

We thank you for the opportunity of serving you and ask for your cooperation in making payment of your present balance shown above.

Very truly yours,

DERBY REFINING CO.

Credit Card Department

Refining and Marketing DIVISION OF COLORADO OIL AND GAS CORPORATION

HOGG BROS
SALEM OREGON CITY
TELEPHONE 3-9149
800 STATE STREET • SALEM, OREGON

Mr. John Customer
200 Main Street
Salem, Oregon

Dear Mr. Customer:

Will you help me?

Before leaving on vacation, our Manager of Credit Sales, Mr. Reames, asked me to phone or write to you concerning your account. He said that he knew he could depend on you paying the amount past due, $25.00, in the near future.

His vacation was actually unexpected at this time so he did not have the opportunity to contact you before leaving.

That is the purpose of my letter.

Will you help me?

Sincerely,

Shirley Coonrod
Shirley Coonrod
Secretary to Mr. Reames

(4)

YOUR COUNT DOWN
4 (3) 2 - 1 TO GO

YOUR EXCELLENT PAYMENT RECORD on your Budget Plan agreement qualifies you for a "30-Day" Charge Account, or you may wish to Add-On your present Budget Plan.

It will be a simple matter to care for your needs at any time, simply by adding your present balance to any selection you may wish to make. It is likely that little or no cash payment would be required.

Mr Jones helped you when you purchased your Diamond Ring and who, you may be sure, would be honored to serve you again soon.

You may feel at liberty at any time to use us as a credit reference.

Appreciatively,

L. Lechenger Jewelers

"GIFT CENTER OF HOUSTON"

THE GOLDEN EAGLE
JANESVILLE, WISCONSIN

(2)

Mrs John Buckmaster
1000 N Washington St
Janesville Wisconsin

Dear Mrs Buckmaster:

The merchant, too, has bills to pay!

The services we are able to offer you depend in a large part on the cooperation of our customers in keeping accounts up to date thus restoring our working capital.

Thus you see Credit is a "Two Way Street" with the traffic going both ways. Your cooperation in paying your account will help balance the otherwise uneven traffic.

This calls for prompt payment of past due balance of $64.71.

Yours very truly,

THE GOLDEN EAGLE

Williams
Credit Department

L. Lechenger Jewelers

GIFT CENTER of HOUSTON

"GIFT CENTER of HOUSTON"

GIFTS THAT ARE A JOY TO *Give*
AS WELL AS TO *Receive!*

People and Events

B E Day in San Francisco

Business Education Day, known as B E Day, has become an annual and traditional event in San Francisco, California, sponsored by the Retail Credit Managers of San Francisco, Credit Woman's Breakfast Club, and the Credit Bureau of San Francisco. This year the credit bureau hosted a group of 11 teachers representing seven high schools of the city. Frank T. Caldwell, general manager, and Charles J. Benson, assistant general manager, explained the various phases of credit and its importance in American business and our way of life. This was followed by a tour of the bureau and its part in the credit structure was graphically illustrated.

Following the tour, the group adjourned for lunch which was also attended by 11 local credit sales managers. This was an opportunity for discussion of credit at the store level. Introductory remarks were made by John T. Ferguson, president of the local association, followed by an address by David K. Blair, president, NRCA. The group also included Eleanor Hoisington, president, and Mildred Metzger, past president of the Credit Women's Breakfast Club of San Francisco, and Marie Gower, past president, District 11, CWBCofNA.

Much favorable reaction was received from the teachers during their visit, and an equally good response was received from the credit granters. It was believed that the program was advantageous to all concerned and a worthwhile endeavor. The three cooperating associations plan to continue holding B E days as part of the over-all educational program. Pictured below is a general scene of the group at the credit bureau.

The B E Day program was suggested by James A. Duncan, Mercantile Acceptance Corporation, and a director of the local association. He arranged for the three associations to be represented, planning and the execution of the tour.—Joseph A. Lopez, *Credit Manager,* Pacific Telephone & Telegraph Company, San Francisco, Califorina, *Past President,* Retail Credit Managers of San Francisco.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, May 15, 16, and 17, 1960.

District Two (New Jersey and New York) will hold its annual meeting at the Hotel Syracuse, Syracuse, New York, April 23, 24, and 25, 1960.

District Three (Cuba, Florida, Georgia, North Carolina, and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, Tennessee, and Bristol, Virginia) will hold a joint annual meeting at the Sheraton-Charles Hotel, New Orleans, Louisiana, April 24, 25, 26, and 27, 1960.

District Five (Illinois, Indiana, Kentucky, Michigan, Ohio, Ontario, Canada, and Wisconsin, except Superior) will hold its annual meeting in conjunction with the 46th Annual International Consumer Credit Conference at the Palmer House, Chicago, Illinois, June 5, 6, 7, 8, and 9, 1960.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, Fort William, Ontario, and Manitoba, Canada) will hold its annual meeting at the Blackhawk Hotel, Davenport, Iowa, March 27, 28, and 29, 1960.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will hold its annual meeting at the Hotel Jayhawk, Topeka, Kansas, March 10, 11, 12, and 13, 1960.

District Eight (Texas) will hold its annual meeting at the Robert Driscoll Hotel, Corpus Christi, Texas, May 22, 23, and 24, 1960.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Hotel Continental, Pueblo, Colorado, May 15, 16, and 17, 1960.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Banff Springs Hotel, Banff, Alberta, Canada, May 20, 21, 22, 23, and 24, 1960.

District Eleven (Arizona, California, Hawaii, and Nevada) will hold its annual meeting at the Hotel St. Claire, San Jose, California, February 21, 22, and 23, 1960.

District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold its annual meeting at the Hotel Sheraton, Philadelphia, Pennsylvania, February 14, 15, and 16, 1960.

Sterling S. Speake Credit Schools

Credit schools will be conducted by Mr. Speake in the following cities during January:

Huntsville, Alabama	**Bradenton, Florida**
Decatur, Alabama	**Ocala, Florida**
Tallahassee, Florida	**Gulfport, Mississippi**
Gainesville, Florida	**Hattiesburg, Mississippi**

If your city is interested in having Mr. Speake conduct a professional streamlined credit school in your city, please write the National Office for details and open dates.

Clarence F. Jackson

Clarence F. Jackson, former Credit Sales Manager, Famous-Barr Company, St. Louis, Missouri, died November 12, 1959, in St. Clair, Missouri. He was born at Prattsville, Alabama, March 25, 1868, shortly after the close of the War Between the States. He knew fame and excitement in his day. He was the thirteenth American citizen to stake his claim sooner than a horde of others in the Cherokee Strip, now Oklahoma. Afterward he returned to Alabama to engage in merchandising. That led to selling on a larger scale and in 1893 he moved to St. Louis, where he installed the time-payment sales system for the Famous Company, now Famous-Barr. He was dean of the St. Louis credit executives and the first credit man to serve as President of the Associated Retail Credit Men and Credit Bureau of St. Louis. He served as a director for 32 years until his retirement in 1946. He was a past vice president and director of the National Retail Credit Association and attended many of our annual conferences. He was a member of the Kiwanis Club of St. Louis, St. Louis Chamber of Commerce, The Farmers Club, Missouri Lodge No. 1 A. F. & A. M., Scottish Rite and Moolah Temple.

He is survived by his wife, two sons, two daughters-in-law to whom we extend our deepest sympathy. No man has contributed as much to the cause of sound credit and collection procedure as Clarence F. Jackson.

NRCA Inaugurates National Junior Credit Executives Program

The National Retail Credit Association is pleased to announce the formation of the *National Junior Credit Executives, Inc.*, as a part of its growing program of service. NRCA will henceforth sponsor the NJCE as a club on a national basis and will make available to all secondary education teachers and their students, for the first time, a complete retail credit education program.

The program has been developed and successfully conducted in several high schools throughout the nation. Charles F. Sheldon, Manager, Philadelphia Credit Bureau, and Wesley E. Scott, Director of Commercial and Distributive Education, School District of Philadelphia, have cooperated in working out this outstanding training program in their city.

Dr. Scott has agreed to serve as Honorary National Secretary of NJCE and will guide the credit program for NRCA. His business and educational experience makes him particularly well qualified to conduct this program and we are fortunate to have him accept this important assignment.

Additional facts about the NJCE program will be announced in forthcoming issues of The Credit World.

Emmett L. Carter

Emmett L. Carter, Secretary-Manager, Akron Credit Bureau, and Secretary, Akron Merchants Association, Akron, Ohio, died September 20, 1959, after a long illness. An Ohioan by birth, Mr. Carter graduated from the Oberlin School of Commerce and the Cleveland Advertising School. He also attended Cleveland College, Fenn College, Muskingum College and Ohio University. He was formerly Assistant Secretary of the Cleveland Retail Credit Men's Company and the Retail Merchants Board for 16 years. During that period he developed a training program for retail store personnel which was used to train more than 7,000 employees and junior executives. He was a staff member at Fenn College for nine years, holding positions of instructor, registrar and financial secretary and director of the School of Commerce. He was a trustee and past president of the Associated Credit Bureaus of Ohio, trustee of the First Baptist Church of Akron and of the Akron Baptist Association. He was a member of the Lakewood Masonic Lodge, Lake Erie Consistory, Al Koran Temple and the Shrine.

Mr. Carter is survived by his wife, a son, a daughter and three grandchildren to whom we extend our sincere sympathy.

Mrs. L. S. Crowder

As we were going to press with this issue of The CREDIT WORLD, we were informed of the death of Mrs. L. S. Crowder, Thursday, December 31, 1959, in Vero Beach, Florida. Funeral services were held at the Cox-Gifford-Baldwin Funeral Home, Vero Beach, Monday afternoon, January 4, 1960.

Hugh M. Tallent in New Position

Hugh M. Tallent has joined the Benjamin Franklin Federal Savings and Loan Association, Portland, Oregon, as manager of the Loan Service Department. He is a long-time resident of Portland. From 1930-1936 he was assistant office manager of Lipman Wolfe & Company; 1936-1937, Marshall Wells Company; 1937-1942, Meier & Frank Company; 1942-1946, United States Air Force; and from 1946-1959 he was credit sales manager, Charles F. Berg Company. From 1946-1959 he has been a director of the Retail Credit Association of Portland and was president of the organization, 1950-1951. From 1951-1959 he has been a director of District 10, NRCA and in 1958-1959 he was a director of NRCA. He has been a delegate to five national conferences of the NRCA.

SHOWN ABOVE is a picture taken at one of the sessions of the Human Relations Approach to Public Relations school held at Lethbridge, Alberta, Canada, conducted by S. H. Womack, staff lecturer of the N.R.C.A. The course was sponsored by the Credit Granters' Association of Lethbridge assisted by the Lethbridge Chamber of Commerce.

Local Association Activities

Harlingen, Texas

The Retail Credit Executives of Harlingen, Harlingen, Texas recently elected the following officers and directors: President, Joseph Kidd, Family Investment; Vice President, Floy H. Mayfield, Easterling & Van Tyne; and Secretary-Treasurer, Tina Jones, Edelstein's Furniture Company. Directors: Robert Nelson, Allied Furniture; Norman Anderson, Anderson Furniture Company; Mrs. Quincy Main, Quincy A. Main Printing Company; Brisco Wilder, The Credit Bureau; and Clark Bierschwale, Great Western.

St. Louis, Missouri

At the annual meeting of the Associated Retail Credit Men and Credit Bureau of St. Louis, St. Louis, Missouri, the following officers and directors were elected: President, Harold Payne, Angelica Uniform Company; Vice President, Jack Dorhauer, Bank of St. Louis; Secretary, William Tobin, Credit Bureau of St. Louis; and Treasurer, Edward Lagow, Stix, Baer & Fuller. Directors: Duncan Tilly, Security Mutual Bank; Virginia Osbourne, Garlands; Dorothea McHattie, Manchester Bank; Ann Gillworth, Charg-A-Plate Associates; Kenneth Scherer, Famour-Barr Company; Robert Mautz, Shell Oil Company; Leonard Corkhill, Shoppers Chargit Service; Joseph Herman, Boatmen's Bank; William Petsch, Lammert Furniture Company; Harry Neatherey, Scruggs Vandervoort Barney; Lee Kirkwood, Boyd's; and Ted Golde, Golde's Department Store.

Muscatine, Iowa

The new officers and directors of the Muscatine Credit Granters Association, Muscatine, Iowa, are: President, Al Evans, Beach Lumber Company; Vice President, Everett E. Longstreth, Whitney's Window & Awning Service; Secretary-Treasurer, Patricia H. Barloon, Muscatine County Credit Bureau. Directors: Mrs. Lula Schreurs, Better Homes Furniture Company; A. W. Lucht, Muscatine Bank & Trust Company; and William Watson, Kent Feeds.

Dallas, Texas

The newly elected officers and directors of the Dallas Retail Credit Managers' Association are: President, Cecil H. Rosamond, Dallas Medical and Surgical Clinic; First Vice President, George N. Zarafonetis, Preston State Bank; Second Vice President, Robert A. Wortman, Sears, Roebuck and Company; Third Vice President, W. Perry Bowen, Reynolds-Penland; and Secretary-Treasurer, J. E. R. Chilton, III, Merchants Retail Credit Association. Directors: Thomas B. Lee, Oak Cliff Medical and Surgical Clinic; James P. Clarke, A. Harris & Company; M. J. Reilly, *Times-Herald;* Robert A. Walling, First National Bank; Fred G. Cimmerman, Sanger Bros.; E. H. Miller, Texas Bank & Trust Company; Clifford A. Moore, A. H. Belo Corporation; June Martin, Clarke and Courts; John H. Tallent, Sherwin-Williams Company; Joe McCullough, W. A. Green; Mrs. Viola Childress, Whittle Music Company; Joe Bailey, Creditors Service Bureau; and Harold Jones, Dreyfuss and Son.

Centralia, Washington

At the annual meeting of the Lewis County Business Men's Credit Association, Centralia, Washington, the following officers and directors were elected: President, Seymour T. Anderson, National Bank of Commerce; First Vice President, Jack B. Dugaw, Burnetts Jewelers; Second Vice President, Roy H. Alexander, Centralia Federal Savings and Loan; Secretary-Treasurer, E. D. Truett, The Credit Bureau; and Assistant Secretary, Jack E. Truett, Centralia Federal Savings and Loan. Directors: John D. Batt, National Bank of Washington; Delmer L. Olson, Uhlmann Finance; Kenneth Schwartz, Schwartz Men's Wear; E. G. Winsberg, State Bank of Morton; Kemp Olson, Olson Bros. Garage; Mrs. Marjorie Coburn, Coburn Furniture and Appliance; Donald A. McDonald, Rowland Lumber Company; John E. Mackey, General Mills, Inc.; Edith C. Brossard, Credit Bureau of Lewis County; and Kathryn Jones, Gillingham and Jones.

Nyack, New York

The new officers and directors of the Consumer Credit Association of Rockland County, Nyack, New York, are: President, George Pasini, Manuet National Bank; Vice President, Alfred C. Scholten, Lederle Employees Federal Credit Union; and Secretary-Treasurer, G. W. Wells, Credit Bureau of Rockland County. Directors: Louis Rosenberg, Bee Hive Furniture Store; William Mondadori, Tappan Zee National Bank; C. Ben Brooks, Peoples Bank of Haverstraw; Clifford Moody, Orange and Rockland Utilities; and Frank Eckerson, First National Bank of Spring Valley.

West Palm Beach, Florida

The 1959-1960 officers and directors of the Palm Beach County Credit Association, West Palm Beach, Florida, are: President, Sam Kreiger, Merchants Collection Service; Vice President, R. E. Leis, Florida National Bank Charge Plan; Treasurer, Donald Kuhl, Southern Bell Telephone and Telegraph; and Secretary, Earl Cromartie, Credit Bureau of Palm Beach County. Directors: Dave Rolling, Belk's Department Store; Mrs. E. S. McDonald, Norman's Ladies Wear; Mrs. Ethel Roberts, Pioneer Company; Paul Gaulden, Donlan General Tire Company; and Mrs. Martha Bostick, Bostick Furniture Company.

Sioux City, Iowa

The Sioux City Retail Credit Association, Sioux City, Iowa, has elected the following officers and directors for the ensuing year: President, Eleanor Stowell, Weatherwax Clothing Company; Vice President, John Rissell, Miller-Kidder Company; Secretary, Lawrence Slotsky, The Credit Bureau; and Treasurer, Alta Donlen, First National Bank. Directors: James McGill, Live Stock National Bank; Dean Addison, Mahoney Motor Company; Mrs. Mary Rigdon, Fishgall's; Celius Newman, Sioux City Stationery Company; Florence Harholt, Schoeneman Lumber Company; Mrs. Katherine Buettner, Ford Lumber Company; and W. K. Winchell, Winchell Furniture Company.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

The District of Columbia Small Claims Court—A question that may be asked of persons interested in specific collection problems, as well as of those whose interest stems mainly from a desire for the general improvement of the administration of justice, is: "Does your state or city have an effective, up-to-date small claims court?" Survey of this subject indicates that analytical and comparative treatment with respect to statutory provisions of small claims courts, or their record of actual operation, are quite limited, indeed non-existent as to anything approaching comprehensive data. Hence, this brief survey of the District of Columbia system—its history, provisions and operating record—may be useful as a starting point for anyone who is concerned either with establishment of a small claims court where none now exists, or the improvement of an existing system.

Historically, it appears that in the early 1900's dissatisfaction was growing as to the administration of justice with respect to poor or small litigants. Delay, expense and uncertainty often operated to deny to the small claimant his "day in court." Judge Nathan Cayton, former chief judge of the Municipal Court for the District of Columbia, who was one of the leading proponents of the establishment of the Small Claims Branch of that court in 1938, has described the situation thusly: "Such cases were intrusted, on one hand, to a disorganized, unsystematic justice-of-the-peace system (often presided over by laymen), and on the other hand, to so-called 'inferior courts' with varied maximum civil jurisdictions ranging upward from $25.00. The justice-of-the-peace system has long since proved a failure. . . . The procedure in the 'inferior courts' usually involved the same degree of formality in filing, trial, and disposition as in cases involving larger amounts." The result was that in 1937 Senator King of Utah, a member of the Senate District of Columbia Committee, introduced a bill to create a small claims court—to be more exact, to create the Small Claims and Conciliation Branch of the Municipal Court for the District of Columbia, as it is technically called. At that time some 16 jurisdictions had adopted small claims court acts as a part of their judicial systems, Cleveland, Ohio, in 1913, being the first to establish such a court.

The Senate report on the bill stated: "Your committee has found no instance where such courts have failed. On the contrary, much evidence has been adduced before us of the great general satisfaction of all such communities with this system of justice." The character and scope of the small claims court as proposed to be set up for the District of Columbia is concisely described in the report as follows:

"The purpose of the bill is to improve the administration of justice in small civil cases and make the service of the municipal court *more easily available to all of the people whether of large or small means;* to *simplify practice and procedure* in the commencement, handling, and trial of such cases; to *eliminate delay* and *reduce costs;* to provide for *instalment payments of judgments;* and generally to promote the confidence of the public in the courts through the provision of a friendly forum for disputes, small in amount but important to the parties."

At the end of the first full year's operation of the new court, Judge Cayton wrote:

". . . the system has been an outstanding success. It has been widely acclaimed, even by many who opposed it in the beginning. It is encouraging to know that the citizens of the District of Columbia have this new type of judical service at their disposal. It is even more encouraging to know that it has given so fine an impetus to the workers in this field of socio-legal endeavor in other parts of the country."

The monthly and the annual reports issued on the operations of the Small Claims Branch tell a graphic story of the character of its operations—of outstanding interest to the small businessman and in particular to the retailer, as well as to the individual litigant of small means. A current issue of the monthly report shows in its complete analysis of operations, the following among a plethora of additional data:

Total number of cases filed	1718	
Total amount of claims filed	$51,618.14	
Cases filed by attorneys	1385	
Cases filed by plaintiff, without attorney	333	
Types of actions—		
Wage claims	19	
Merchandise sold	1308	
Professional services	45	
Return of deposit	12	
Promissory note	6	
Personal services	6	
Breach of contract	124	
Rent unpaid	29	
Money loaned	1	
Balance on account	62	
Bad check	31	
Foreign judgment	1	
Total contract claims	——	1644
Total other (damage claims)	——	74
Cases filed by corporations	1304	
Cases filed by partnerships, trading firms and associations	36	
Cases filed by individuals	378	
Total cases	——	1718
Amount of judgments entered—		
By default, consent, confession and on ex parte proof	$17,382.03	
After trial and finding by court	$ 1,187.91	

Inflation and Modernization: There is one respect in which the D. C. Small Claims Branch may be out of date, namely, with regard to its maximum jurisdictional limit of $50, the same as when the court was created in 1938. Inflation along has in effect cut this amount in half. The consequences of faulty jurisdiction appear to be reflected in an increase of cases filed in the Municipal Court (jurisdiction from $50.00 to $3,000.00), and a corresponding decrease of cases filed in the Small Claims Branch, as shown by figures for fiscal year 1948-49 as compared to fiscal year 1958-59, as follows:

Cases filed	*1948-49*	*1959-59*	*% change*
Municipal Court (above $50)	25,249	37,108	46.97 increase
Small Claims Branch	27,364	17,097	37.52 decrease

SALES PROMOTION
INTERVIEWING
INVESTIGATING
AUTHORIZING
BILLING
COLLECTIONS
CONTROL

The CREDIT CLINIC

A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience.

Furniture, Musical Instruments, Electrical Appliances

QUESTION

"If management is willing to speculate with much higher percentages of markdowns in developing sales volume, should they insist on regarding one-half of one per cent credit loss, as the final measurement of a so-called good credit performance?"

ANSWERS

John A. Broom, Jr., Cate-McLaurin Company, Columbia, South Carolina: I think management should still insist on a maximum of one-half of one per cent credit loss. It seems that markdowns, selling at discounts, is a necessary evil under present business conditions. As a result of this, of course, shorter profits are being taken. I do not believe management can stand any greater credit losses without reflecting too unfavorably on their credit departments and in the over-all net profit. A credit department properly managed with sound collective procedures should be able to stay within the allowable loss percentage without affecting sales. Proper continuing education of credit department employees in opening new accounts is a must, and I think lack of it will reflect unfavorably to the credit pictures.

L. A. Dudding, Credit Manager, Galperin Music Company, Charleston, West Virginia: Under competitive merchandising and selling throughout the country, most management does not expect the credit loss as low as one-half of one per cent. It should be the desire of every credit executive to hold the loss as low as possible. This can be accomplished by a closer follow-up on collections, which will, of course, increase cost of the collection and credit departments.

Fred Ellis, Credit Manager, Gifford's Furniture Store, Port Arthur, Texas: To properly answer this question, I think it would be well to draw some comparisons between the tools that management has to work with in buying and selling merchandise, and the tools that the credit manager has to work with in granting credit and collecting accounts. The buying manager constantly draws from knowledge that he has learned from experience. Some types of merchandise have sold readily, others have not. He keeps in mind that public preferences change constantly. He considers the type of people who patronize his store—high income, medium, or low. He considers the tastes of the people generally in his community. He attends the various markets, talks with the wholesale salesmen who call on him, then he tries to guess what his customers will buy. If he is correct 90 per cent on his purchases, he is considered a good buyer. The credit manager also draws from his experience: certain occupations often as a group are poor pay; certain geographical areas within his community are slow. He has the benefit of previous credit experience if the customer has traded with his store before; he has reports from the credit bureau; he evaluates other information on the credit application; he evaluates the economic status of his community and that of his own store to determine whether to have a loose or firm credit policy. Then he decides whether or not to grant credit. In my opinion, if he is correct 98 per cent of the time he is a good credit manager. Yet most firms have a "Reserve for Bad Debts" of one-half of one per cent. My answer to the question is that management should not insist on one-half of one per cent for credit losses—it should be at least two per cent, based on the accounts receivable at the end of the fiscal year.

Alexander Harding, Credit Manager, John H. Pray & Sons Company, Boston, Massachusetts: This appears to be one of those subjects that the credit manager should collect all of his sales ability and do a selling job to management. If management is willing to risk a higher percentage of markdown in the development of sales I feel that it is up to the credit manager to point out to other members of the management team that there are other factors to be considered as a part of the package of developing sales volume. Too often, however, do credit executives adopt the attitude "if the merchandising department is allowed a greater tolerance in markdowns why not the credit department"? Rather do I feel that we should not try to compare the credit department with the merchandising department but to present this type of case to management on an entirely independent basis. When you try to sell this sort of thing on a comparative basis we automatically put ourselves on the defense and it makes it much easier for management to turn down the suggestion. If, in suggesting an increase in your credit loss percentage, you point out to management that you will, of course, try to maintain the one-half of one per cent but the "extra cushion" appears to be practical business, I think management will come around to your way of thinking.

Walter Moore, Ellison Furniture and Carpet Company, Fort Worth, Texas: If management is willing to speculate in higher markdowns in order to develop sales volume, they must recognize the fact that such action is likely to also cause an increase in credit losses as "Accounts Receivable Markdowns." There is no one figure that can be used as a measure for good credit performance. The store and credit policies determine what a good credit performance should be. A high quality, stable store that is not highly promotional and does not stress long easy terms should have smaller credit losses. But a highly promotional store handling low

end merchandise and advertising no down payment and easy terms is more likely to attract the less responsible type of customer and so must make provision for greater credit loss. Credit losses in furniture stores over the nation last year varied from .35 per cent to 2.22 per cent with an average of 1.01 per cent. If management holds the credit to .50 per cent loss they may be losing potential profit through a too conservative credit policy. An authority on consumer credit loss has said, "losses of .50 to .75 per cent of total instalment sales are 'good'; 1.0 to 1.5 per cent are 'fair' and over 2.0 per cent are 'poor.' "

M. H. Myers, General Credit Manager, Barker Bros. Corporation, Los Angeles, California: It would seem to me that a percentage of write-offs might vary considerably between different types of businesses. For example, a business catering to the very low income group of customers knows that it is virtually impossible to gather good, reliable credit information, and in their haste naturally oftentimes take greater risks than would be thought proper by a business dealing with the middle and upper income groups. In our particular business we have a very broad coverage and find ourselves servicing the accounts of the low and high income groups. It would appear to me that while there is a great variation in the percentage of markdowns permitted as normal, and the percentage of bad account losses, management could not possibly permit bad account losses in as great a percentage as markdowns, and if they did not set a rather low maximum figure as allowable, there might be a tendency on the part of a credit department to become far too lax in granting credit accounts. It is easy to become overenthused during sale periods and to take on accounts that would not stand up under the close examination of a credit executive when he has some time to study the situation. I believe the percentage is not a figure that can be properly established industry-wise, but must depend more or less on the individual operations.

Earle A. Nirmaier, W. Wilderotter & Company, Newark, New Jersey: I firmly believe that when losses on credit sales are shown to be the proverbial one-half or three-quarters of one per cent, a considerable reduction in the sales volume is the direct result of such a conservative credit policy. I could never understand why a markdown figure of five per cent or eight per cent is looked upon as an acceptable merchandising policy while a credit executive would be looked upon with disfavor if his accounts receivable would ever show a loss ratio of even two per cent. If the thought of collection losses were not ever-present in the credit man's mind when examining a credit statement, I believe the volume of credit sales could be expanded so that the profit margin would overcome the additional collection expense that may be brought about by a more liberal approach in selection of new accounts. The so-called borderline cases can greatly assist in increasing the profits in the credit deparment.

Calvin J. Veith, Executive Vice President, Southern California Music Company, San Diego, California: We feel that this question would be more properly directed to department store management rather than specialty houses. The vast majority of our business is on a conditional sales contract basis and as a result our credit charge-offs are negligible. Also, most of our merchandise is of a big-ticket nature and we manage to keep our inventory clean enough so that our markdowns are even less. We have expanded our credit granting and take many contract accounts where the credit report indicates that we would not sell the people on an open account basis. However, with the contract we are always in a position to effect prompt repossession of our merchandise. Neither markdowns nor credit losses represent a serious consideration in our particular line.

L. G. Williams, W & J Sloane, Inc., San Francisco, California: Management's willingness to speculate with high markdowns to obtain sales volume should have no bearing on credit loss percentages. A credit sales department has three major objectives: One—To sell as much merchandise or services as possible, through the medium of Credit. Two—To promote the good will of all customers. Three—To handle and collect all accounts in the best interest of the store's financial policy. Each credit sales executive should review the credit loss percentages with his own management and arrive at a satisfactory bad debt reserve write-off. When this figure is determined then the credit manager has his guidepost for the analyzing of all credit risks. Your local credit bureau can be most helpful in keeping losses of this type to an absolute minimum. Notify them in advance of any large sales promotions. The higher the markdown, the more selective the risk.

Automotive, Newspapers And Publishers

QUESTION

"Are we being fair with our good customers by permitting a recent 'bankrupt' to buy on a credit basis after having sustained a sizeable loss, or should this person be 'blacked out' for future credit in an attempt to discourage bankruptcies?"

ANSWERS

Henry G. Baker, Manager of Credits and Collections, The Oklahoma Publshing Company, Oklahoma City, Oklahoma: About 85 or 90 per cent of the individuals that take bankruptcy do so because there are some accounts they do not want to pay, and not because they are in debt beyond their ability to pay, if, they would stop creating new debts. This is stimulated by sales people who are anxious to better their sales records and by credit people who are afraid to say no, you have enough for now, but when your balance is reduced to a reasonable amount we will again accept your business on a credit basis and explain the advantages of good credit. In the Western district of Oklahoma 306 individuals took bankruptcy the first half of this year and that is almost a 50 per cent increase of the same period last year. This would lead us to believe there must be some "honor or glory" to be a member of the "fraternity of the bankrupt." We should take time to determine which ones belong in the unfortunate group and give them some consideration, but the ones who took bankruptcy to get out of needless debts should be put on the "cash" list from now on. Most certainly, they are not entitled to the same consideration that we extend good paying customers.

A. W. Blieszner, Credit Manager, The Pittsburgh Press, Pittsburgh, Pennsylvania: We absolutely refuse to extend credit to a recent bankrupt, through whom a sizeable loss has been sustained. There can be no argument, because one of the vital "Cs" of credit is lacking—capacity to pay. This decision might be recon-

sidered only after the bankrupt has proven through an extensive period of steady employment and proper management of adequate funds received therefrom that he can again be trusted to meet his obligations.

V. D. Philopant, Credit Manager, Utter Motor Company, Spokane, Washington: The extension of credit to a recent bankrupt poses one of the greatest problems confronting credit granters. So many factors must be considered which make it difficult and complicated to set a formula for granting credit to bankrupts. My first opinion is that bankrupts should be denied credit privileges, but then these people cannot be disbarred from the business world due to their bankruptcy. If a customer has taken bankruptcy due to extended sickness, large hospital bills or lack of work for a long period of time, these factors should be taken into consideration in processing an application for credit by a bankrupt. However, so many bankrupts are of the opinion that their debts have been cleared and they should be extended credit on the same basis as anyone else. This, to me, is definitely wrong as any credit extended to them would have to be on a limited basis taking all the reasons for their bankruptcy into consideration. The opinions regarding this subject are many and varied and a credit granter must use good sound judgment if credit is extended to a bankrupt. At all times this extension of credit should be on a limited and controlled basis.

Frank A. Schnell, Olean Times Herald Corporation, Olean, New York: As long as there is credit to be granted there will be bankruptcies because you would not get a proper spread of risks if you could control them. Here at the *Times Herald* we do not believe in black-out for the bankrupt. We believe that a bankrupt's business is just as good as any other business as far as money goes. But here is where we draw the line—we must get the money. Any person who goes through this state of legal procedure we put on "cash with order basis." We have no way of knowing that he will not resort to this same thing in order to liquidate his indebtedness in the future. After he gets established on a firm basis we might extend his method of payments to weekly billings and collections.

"State Legislation"

(Beginning on page 23.)

Pennsylvania: Two Pennsylvania legislative bills to raise interest rates for small loan companies and banks were vetoed by Governor Lawrence. Among other developments, the Pennsylvania House of Representatives defeated proposed legislation to authorize revolving check-credit plans. State Banking Secretary Robert L. Myers, Jr., announced that he will start communicating to banks his concept of the state banking code as it affects such plans. His department will then undertake a bank-by-bank study of plans now in effect to determine if they conform to the code. The Secretary noted that such plans had been put into effect in anticipation of specific approval by the state legislature. Up to now his department had not been disposed to seriously question the conformity of the plans with the banking code.

Virginia: The Virginia Advisory Legislative Council has advocated the enactment of a new state law to regulate credit life and credit accident and health insurance in the 1960 session. Virginia at present has no law covering such insurance.

"Challenges in 1960"

(Beginning on page 14.)

ecutive. ***Charles F. Sheldon, Manager, Philadelphia Credit Bureau, Philadelphia, Pennsylvania,*** strikes a somewhat cautious note when he says, "The exciting '60's starts with a rapid evolutionary period for credit bureau service. Our present investigation and collection system will need revision to meet the more widespread use of consumer credit. From now on, consumer credit has to be considered from the national and international level. The control of overloading requires new devices and innovations. In the past, retailers have found that customers satisfactorily controlled their credit. No longer can retailers depend entirely upon local level reporting by bureaus with only an adequate central file of records. Today we have revolving credit at stores, banks and consumer finance companies, national and international credit cards, and local bank and other central charge plans. Customers sometimes are unable to exercise sound control of their credit. It seems we might be drifting into file information Credit Bureau service with a stepped-up forceful collection department. In my opinion, the future credit bureau could well be a mammoth collection department with file information and from it could flow adequate data for the base of investigation. In view of the rapid and more widespread use of consumer credit, the exciting '60's is the time for our maximum togetherness. It is the time for clear thinking and quick change to provide the service to fit the need. No one of us has all the answers; together, we can work out most of them. Then we will keep our economy sound and healthy. With such a firm foundation we can venture into the future with confidence."

Summarizing, 1960 and the decade just ahead will see a period of change taking place in the consumer credit industry. The consumer has come into his own and will make his demands felt more keenly. There is emerging an opposing force which hopes to challenge and regulate the American consumer's way of living. This group will strive toward a "planned economy" hoping to restrain the consumer's purchasing power in order to divert more raw materials, supplies and capital into industrial production. The two forces will present many problems as they compete against each other. The outcome, as usual, will be determined by the American people. ★★★

Dean Ashby Speaks in Mexico

International flavor was added to a recent meeting of the Weslaco, Harlingen, and McAllen Retail Credit Associations when they met at Arturo's Restaurant, Nuevo Progreso, Mexico, to hear Dean Ashby, The Fair, Fort Worth, Texas, and President, District 8, National Retail Credit Association. The town is across the Rio Grande River from Weslaco, Texas. Among those present were: Jack Whitt, Weslaco Medical Center, President, Retail Credit Association of Weslaco; Joe Kidd, Family Finance Company, Harlingen, Past President, Retail Credit Association, Harlingen; Floy Mayfield, Easterling & Van Tyne, Harlingen, Past President, South Texas Region, District 8; and John Butcher, Port Chemical Company, Elsa, President, South Texas Region, District 8.

A New Home Study Course In Retail Credits and Collections

THE NATIONAL Retail Credit Association, and the Credit Women's Breakfast Clubs of North America, proudly announce the completion and immediate availability of a new correspondence course in *Retail Credits and Collections* made possible through the cooperation and facilities of the Extension Division, University of Wisconsin.

This is a 12-assignment home study course which, when successfully completed, will earn a Certificate issued by the University of Wisconsin and also will earn points in a broad and comprehensive educational program to be announced later.

This course represents the culmination of much planning and preparation by the staffs of both organizations. It is a definite forward step toward our ideal of making retail credit management into a profession with required areas of study and specific standards of achievement. Each phase of consumer credit work is carefully examined. Emphasis is placed on the *what* must be done, *why* it is done, and *how* it is done. The broad functions of opening, controlling, collecting, and selling the account are examined in detail and recommended procedures carefully explained.

Each of the 12 assignments will require, on the average, about four or five hours of study. The work can be done at home at your leisure. The required textbook for the course is the revised edition of *Retail Credit Fundamentals* by Dr. Clyde William Phelps, published by the National Retail Credit Association. Self-test questions enable the student to test his understanding and comprehension of the important points in the assigned reading. During the course the student will have the advantage of personal guidance and supervision from experienced staff members of the University.

Trained consumer credit administrators are now in demand, and as our credit economy further develops, that demand will increase. This new educational course will provide for those new to credit work an excellent background for making progress in a field that is rapidly gaining professional status. For those already working in the field and seeking greater proficiency, this course will provide more rapid personal development and thus encourage promotion.

All enrollments must be sent to the Credit Women's Breakfast Clubs of North America, 1863 Railway Exchange Building, St. Louis 1, Missouri.

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(Check for $29.00 must accompany enrollment. If you have a Third Edition of *Retail Credit Fundamentals* send $24.00.)